*Horticulture*

# Forbidden fruit – just what the consumers want

**by Warren Berryman**

EVE had an easy moral choice. To eat or not to eat the apple dangling before her lips.

For Auckland apple munchers, it's not so simple. Apples are not just apples or pears to the Apple and Pear Board. There are legal apples and illegal apples, legal and illegal pears.

Illegal apples, crisp and fresh off the tree, are the sort that Auckland consumers want and the sort the board is trying to stamp out.

Legal apples, often mushy, old, stale or woody, are the sort sold through the board's legislated monopoly.

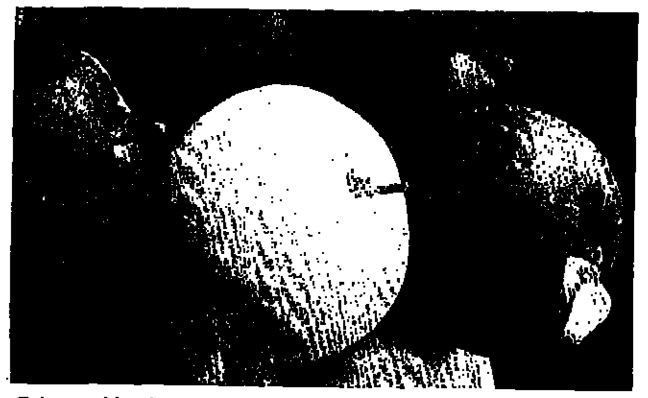
Regulations governing the sale of apples are a bureaucrat's dream that can make unwitting criminals of us all. It's easy to become a smuggler, blackmarketeer or worse in the eyes of the law. Just pack the kids in the car of a sunny Sunday, drive to Huapai or Henderson, pick a bushel of apples and pay the man who owns them and drop half the apples at a mate's place on the way home. Thou hast bought apples for re-sale – and that is forbidden.

The man owning the orchard has no right to sell the fruit to whom he wishes. That right belongs to the Apple and Pear Board.

Anything as simple as one Aucklander buying apples from another without freight, handling, paper work, and apples gone off, must be eliminated.

An estimated 25-30 per cent of apples grown around Auckland go to the board. The rest are either sold legally from the orchard gate or blackmarketed.

Most of the board's 25 per cent are Granny Smiths for export.



Crisp and fresh . . . but regulated

To supply the Auckland market, the board has to freight in apples from Nelson and Hawkes Bay. When they arrive after the long journey and are compared with local fresh apples, they are often found wanting by retailers and consumers.

A group of orchardists, with the foresight to locate their orchards close to the Auckland market, want to change the law or circumvent it.

A Heylen research study showed 77 per cent of consumers would prefer to buy their apples from the orchards.

The consumer doesn't come into it. One of the board's prime functions is to keep the price of apples high by engineering relative shortages.

Over the last season those illegal apples, or legal apples from the orchard gate, averaged out at just over half the price.

But the Auckland orchardist, who paid more for his land to be near the city and pays high rates to remain there, subsidise the orchardist located in the backblocks of the South Island. Otherwise one might see a rational free-market decision-making process replacing centralist controls.

Major thorn in the board's side is Brian Connolly, president of the Association of Independent Fruit Marketers Inc.

Prosecuted twice for illegally selling the fruits of his own labour (once for selling apples to school kids), Connolly is carrying on the fight for free enterprise in the orchards.

Two submissions have gone to Parliament, the second of them signed by 23,000 apple-eating consumers.

The petitions' call for the "right to pick and choose" should have appealed to the free-enterprise ethos of National Party backbenchers. But the petitions were relegated to low-priority future consideration by the boys at the Beehive.

For his enterprise, petitions and a marketing campaign on Radio Pacific, Connolly claims the board is victimising him, his association's members and his customers.

Connolly and six others have been circumventing the board's monopoly by selling apples to social clubs in big business and Government offices. He says that under Section 43 of the Apple and Pear Marketing Act 1971 he can sell and deliver up to 40 kg of apples per named person belonging to these clubs.

These, he said, are direct sales, not sales of apples for resale.

But someone has to collect the money from club members. If that person is acting for the club, it might be considered he is buying apples for resale. If that person is acting for the apple grower, he must be paid.

Connolly said the usual payment was a free bag of apples. But he asked, how do I deduct PAYE from a bag of apples?

Point one to the bureaucrats.

And Connolly complains that board inspectors are visiting his customers, flashing their official ID cards, and either making his customers feel like criminals or making them wish they had bought their apples from "official sources".

The board, of course, is justified in keeping Auckland consumers from the apple they want to buy, because the board claims to act in the interests of a majority of growers – most of whom don't grow their apples near the biggest apple-eating market.

The further the apple-grower is from Auckland, the higher the freight costs to get fruit to the consumer, and the greater the chance he will be a strong supporter of the board.

In the interests of conformity, Connolly and his ilk must be made to toe the line.

After all, we can't have rebels embarrassing those in Wellington who – it must be assumed – know better what is good for us than we know ourselves.



Volume 10, No. 32 (Issue 397) August 25, 1980 ISSN 0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents



## Inside



# Boycott buried Treasure's chance of Olympic gold

**by Rae Mazengarb**

WELLINGTON-based tour operator Treasure Tours Limited – now in receivership – was steering its activities towards Laker Skytrains and American Outdoor Adventure packages before collapsing this month. But the Laker venture led the company into confrontation with a Government whose Olympic boycott policies had dealt Treasure Tours a heavy financial blow for which it will pay no compensation.

Managing director Aart van Saarloos said sales were encouraging but neither of the new programmes had been on the market long enough to replace sales of the company's traditional overland tours.

The company had been [illegible] in overland travel [illegible] in Russia and Asia.

The company would have marketed future Laker business on the Hong Kong-to-London route, if the way had been cleared, he said (Laker has been granted landing rights into Hong Kong).

But the marketing in New Zealand of Laker flights on the Los Angeles-to-London route led Saarloos into trouble with the Civil Aviation Division. He was asked to stop.

He said he was willing to go to court over the issue, but the Ministry of Transport appeared to take the heat off.

Travel industry sources say the department might not have been anxious to prosecute under legislation described as a "shambles".

And the department might have been seen to be discriminating. It has received complaints from the Travel Agents Association about Air New Zealand's discounted fares through the Link Association, but has taken no court action.

A court battle never eventuated over the Laker business, which Saarloos maintains could have helped eventually to pull the company into a better financial position.

But a Government decision to do nothing on another matter led to Treasure Tours' demise, he claims.

He asked the Government to grant urgent assistance by way of compensation or loan for losses caused by the Olympic Games boycott. The Government's refusal ruined all hope the company had of replacing its traditional sales with the new programmes, he said.

The company had lost $200,000 on the Olympic Games according to Saarloos.

As a result of the Government decision, the ANZ Bank called in its loan and put the company into receivership, he said.

Three years ago Treasure Tours had offices in London and Australia, a staff of 100, and combined turnover of almost $10 million – $2,500,000 of it from the New Zealand [illegible] major series of set-backs with its overland travel operations.

First, the revolution in Iran ruined the overland market and forced the company to close its London offices.

But the company hoped to recoup its losses when the Russian Intourist Agency appointed it as one of two New Zealand agents for the Olympic Games. The other was a partnership of Atlantic and Pacific Travel and Thomas Cook.

Saarloos said the Government's attitude to the games affected public opinion.

He said he understood the American Government – which set the boycott ball rolling – compensated travel and promotional companies that were detrimentally affected.

The Australian Government is considering doing the same for at least two companies there which incurred combined losses of about $A1 million, Saarloos said.

But the New Zealand Government "wiped its hands" of the affair.

Prime Minister Rob Muldoon's explanation for the low attendance at the Moscow games by New Zealanders – that it was simply a consequence of the Soviet invasion of Afghanistan – was "incredible and totally irresponsible", Saarloos said.

Heading into 1980, there had been reason to believe the company could recover its losses and have a good year, he said. But "not only did we not get the Olympic Games sales we looked for, but it (anti-Russian feeling) seriously affected our normal tour sales across Russia which this year should have been the biggest portion of our sales."

After the Iran crisis, the company had attempted – with a staff reduced to around 18 – to develop tours in other areas less politically vulnerable.

"But it takes time . . . we would have been able to work with a loan," Saarloos said.

Launched in May in conjunction with Pan Am, the Outdoor Adventure USA [illegible]

That programme offered a multitude of self-drive campervan, camping, river-rafting, horse-trekking, wagon trail and budget tours, packed around the outdoor adventure theme.

There had been tremendous interest in that package and the Laker Skytrain, and "given time we could have switched the business with no effort," he said.

Thomas Cook also encountered difficulties because of the Olympic boycott. But it was not in the same plight as Treasure Tours because his company was specialising in a very restricted area, Saarloos said.

The Civil Aviation problem, was raised when officials asked him to stop marketing Laker fares.

He had taken out a franchise because he felt consumers here were not getting a fair deal, he said. Interest in the Laker fares was evidenced by the huge queues of New Zealander [illegible] Los Angeles [illegible]

I felt Civil Aviation was trying to create a monopoly situation against the public interest and the travel business generally," he said.

A Civil Aviation spokesman said policy toward Laker depended on what he applied for and where the net benefit lay. One measuring stick was the earning and saving of exchange. If Laker was simply tapping the London-Pacific market, for example, there was little benefit to the country.

Meanwhile Hong Kong-based Cathay Pacific has been given permission to offer New Zealand-to-London fares. Cathay Pacific – which has recently started a Hong Kong-to-London service – will team up with Air New Zealand.

Air New Zealand flights from Auckland to Hong Kong will tie in with the Cathay Pacific service.

It is understood Laker will also fly that route.

Government policy [illegible] here, but it would give permission for Cathay Pacific because it is tied up with the Government-owned airline.

## Consumers protected

NEW Zealand residents affected by Treasure Tours' collapse appear to be protected, according to Peter Lowry of the Travel Agents Association of New Zealand.

But because this is the country's first major travel company collapse, the mechanics of compensation are still being worked out.

Pointing out that the whole basis of TAANZ was consumer protection, Lowry said those affected should apply to him.

TAANZ has arranged two bonds with the New Zealand Insurance Group. They are designed to protect money paid by consumers to bonded members of TAANZ for travel, accommodation and so on.

The first bond gives a limited cover of $20,000 to each full member; and the second provides additional blanket cover over all members to a maximum of $230,000 in any one year.

## The week

# Petralgas on "fast track"

PETRALGAS became officially subject to "fast track" treatment under the National Development Act. Next step: a Planning Tribunal inquiry.

The Marginal Lands Board may be merged with the Rural Bank. Meanwhile Government decided on a three-man commission of inquiry into the Fitzgerald controversy.

THE Duke of Marlborough Hotel brought Lion Breweries and Dominion Breweries before the Commerce Commission for their refusal to supply beer in cans and bottles. The hearing was adjourned.

A QUICK settlement with FoL nudging gave the Drivers' Federation a 13.5 per cent wage increase. Road transport rates are likely to go up as a result.

THE Liqui-Gas consortium suffered a set-back when the price of LPG soared on the world market. Its plans to import the fuel from Australia were frustrated.

THE Broadcasting Corporation hopes to set up a morning television service for single-channel area viewers.

NEW postal charges for newspapers and magazines may be reviewed by the Government if representations by publishers are accepted.

SINKING container revenue has forced the Auckland Harbour Board to try to save at least $1.3 million. The Wiri container base is likely to be shut down.

EARLIER court hearings were sought by the United States Justice Department to ease its way in attempting to break the conference lines monopoly.

THE Government will give assistance for the building of "granny" flats by local authorities, as an addition to pensioner housing schemes.

THE controversial State Services Conditions of Employment Amendment Bill was dropped.

THE National Parks Bill may be amended.

A COMMISSION of inquiry will look into the de-manning of lighthouses.

THE Labour Party will be referred to the Human Rights Commission by the Social Credit League for publishing a pamphlet which the league claims makes it appear fascist and anti-semetic.

PRIME Minister Rob Muldoon defended the right of Government MPs to speak in support of the Springbok tour despite the Gleneagles Agreement.

THE Public and Administrative Law Reform Society report on commissions of inquiry recommended that people being accused before an inquiry should be able to be heard and anyone being heard or appearing at an inquiry should pay or receive costs.

THE Royal Society of New Zealand cleared the controversial herbicide 245-T.

A ROW over press freedom began when Prime Minister Rob Muldoon refused to allow *Listener* columnist Tom Scott to accompany him on his forthcoming trip to China and India.

AUSTRALIA got a tough budget with nothing significantly affecting the person in the street.

THE Republican presidential candidate Ronald Reagan promised to build up American military strength *vis-a-vis* the Soviet Union's.

FORMER Australian Cabinet Minister Ian Sinclair, after being cleared of charges against family companies was reinstated as Trade Minister.

PAPUA-New Guinea troops took over from French-British forces at the rebel island of Espiritu Santo to deter further rebellion.

THE libel action filed by Alex Harvey Industries against the television programme "Fair Go" was settled out of court. The company received an apology from "Fair Go".

POLISH trade unionists demands for major changes in the country's communist system were backed by virtual paralysis from strikes of the northern Gdansk region.

THE American nuclear warship USS Truxton will berth at Wellington late next month.

## The Week ahead

MONDAY: Dental Association conference in Dunedin

TUESDAY: Ecological Societys' annual conference at Victoria University.

Labour and education select committee looks at the Shop Trading Hours Amendment Bill.

Maori Affairs select committee hears petitions.

Statutes Revision select committee looks at the Wanganui Computer Amendment Bill.

Rheem NZ's annual general meeting in Wellington.

WEDNESDAY: Lands and agriculture select committee looks at the National Parks Bill.

John Webster & Co's annual general meeting in Auckland

Morrison-PIM Holdings annual general meeting in Auckland.

THURSDAY: Operational Research Society' annual conference at Auckland University.

Airwork NZ's annual general meeting in Christchurch

Odlin's annual general meeting in Wellington.

FRIDAY: Cable-Price Downer' annual general meeting.

Chenery Holdings' annual general meeting in Auckland

## The business week

**Ampol Exploration Ltd** appointed Geoffrey Hall and Ronald Virgo to the board.

**Arthur Barnetts Ltd** reported an unaudited tax-paid profit of $737,600 for the year to June 30 ($662,800 last year). A final dividend of 10 per cent is payable.

**Bougainville Copper Ltd** reported an unaudited tax-paid profit of (in Papua New Guinean kina) $K38,049,000 for the six months to June 30, ($K37,676,000 same period last year). An interim dividend of 8 toea is payable on November 6.

**Hauraki Enterprises Ltd** appointed Michael Wall to the board.

**Lloyds Bank Ltd** appointed Sir John Greensborough KBE to the board.

**Network Finance Ltd** reported an audited tax-paid profit of $A2,201,000 for the year to June 30 ($A1,174,000 last year). A final dividend of 3.75c is payable on August 29.

**Placer Development Ltd** reported an unaudited tax-paid profit of $57,411,000 for the six months to June 30 ($75,012,000 same period last year).

## Economic indicators

RETAIL sales for the June quarter were up 20.4 per cent over the same quarter last year

THE general price index for the June quarter recorded an increase of 23.2 per cent compared with a year ago. The three industrial groups recording the highest increases were: chemicals, petrol and plastics (12.5 per cent), local government (8.6 per cent), and non-metallic metal products (7.8 per cent).







## The week

# Carpets: more sugar on a sweet carpet deal

**by Warren Berryman**

THE Australian Government heaped more sugar on an already sweet deal for New Zealand carpet exporters by increasing duties on carpets from third countries.

Under Nafta, New Zealand can export carpet duty-free to Australia, giving favourable terms of access. Canadian carpets under preferential tariff are charged 20 per cent duty; carpets from other countries are charged 30 per cent duty.

Last week the Australian Government decided to further protect its carpet manufacturers. The general carpet tariff will be increased from 30 to 40 per cent and the preferential tariff from 20 to 30 per cent. A further duty of 10 per cent will be charged on synthetic carpets until January 1981.

This not only shields Australian carpet manufacturers from competition from Canada, Britain and the United States, but improves New Zealand access for its $30 million a year carpet exports.

Rejecting the free trade proposals put up by the Industries Assistance Commission, the Australian Government has opted for greater protection for its clothing, textile, and footwear industries.

At the Nafta talks two weeks ago, the New Zealand Government finally approved an inter-industry agreement on carpets worked out between Australia and New Zealand carpet manufacturers last November.

Under the agreement, carpet exports from both countries would be allowed to increase by 400,000 square metres a year — Australia's access to this country would go from 200,000 to 600,000 square metres and New Zealand's access to Australia from 2.1 to 2.5 million square metres.

The deal, very much in New Zealand's favour, hinged on a gentlemen's agreement not to export synthetic carpets to each other's markets.

Stevens-Bremner is not a member of the Carpet Manufacturers Federation and was not bound by that agreement.

Stevens-Bremner wanted to send synthetic to Australia to gain throughput for its expensive Millitron facility in Foxton — a move that would have wrecked the inter-industry agreement with Australia.

As Trade and Industry Minister Lances Adams-Schneider continued to delay signing the agreement, Australian attitudes hardened. The Australians had orders for the extra 400,000 square metres of carpet, but it could not be sent until Adams-Schneider signed.

Adams-Schneider had his own reputation on the line. Against nearly all advice, and contrary to the wishes of the local carpet industry, he had granted Stevens-Bremner the sole import licence to bring in the controversial Millitron carpet-dying machine. The Development Finance Corporation financed Stevens-Bremner.

The wisdom of Adams-Schneider's decision is now in doubt. The Millitron has become something of a $6 million white elephant. Stevens-Bremner, after recording heavy losses, has laid off staff, sold assets, and reduced its facilities.

Procrastination by Adams-Schneider produced the only sour note in the Nafta carpet deal. In the end, after a delay of more than five months, New Zealand agreed not to send synthetic carpets to Australia.

Trade and Industry Assistant Secretary Ted Woodfield said this was a voluntary action agreed to by New Zealand carpet manufacturers. Presumably Stevens-Bremner agreed to go with the other manufacturers.

But because of Adams-Schneider's procrastination, New Zealand had to concede to allowing the Australians to carry over unused quota from one year to the next. This means that instead of the 600,000 square metres of carpet allowed under the original agreement, Australia will have access to its market for 856,000 square metres to July 1981.

New Zealand carpet manufacturers fear this carry-over provision may lead to Australian carpet exports here bunching up and hitting our market in large quantities over a short time span and disrupting domestic sales.

New Zealand carpet manufacturers did not want to give the Australians this carry-over provision. But they concede, in light of Adams-Schneider's procrastination, it was only fair that the Australians be allowed that provision because the hold-up in their exports was no fault of their own.

# Fair importers defended

**by Warren Berryman**

IMPORTERS are demanding that import licences issued improperly should be revoked.

Otherwise, they claim, it would be unfair to importers who play the game by the rules.

Bureau of Importers and Exporters president John Averill said: "This has been a difficult time for the Department of Trade and Industry and we don't want to make things more difficult. But if we have evidence that import licences have been issued out of policy we would push to have them withdrawn."

Averill said he and bureau members thought the import licensing system should be scrapped and replaced with a tariff system including emergency procedures for quantitative import restrictions and anti-dumping measures

"The import licensing system is untidy, unhealthy, difficult to administer, tangled, and overly bureaucraticised, Averill said.

The nature of the system led to upsets such as the Pound affair, he said.

Other importers put their objections more strongly.

If an importer gains an import licence through improper means and gets caught, he should have the licence taken away. If an importer obtains a licence through a "departmental mistake" and this "mistake" is discovered, he should also lose the licence, they argued.

Otherwise an import licence obtained by "mistake" or impropriety would qualify the importer for a history of licence holding in perpetuity. Getting caught was a small price to pay for the future profits that were assured with an import licence history, they argued.

"Those who play by the rules often lose the match," one importer said.

*The week*

# Harbour board workers question union spending

WELLINGTON Harbour Board workers are leading a revolt against national union secretary Ralph Gerdelan and the national management committee.

The Wellington branch of the Harbour Board Employers' Union is asking other branches to endorse a motion of no confidence in the national office, passed overwhelmingly at a mass meeting recently.

The Wellington branch is refusing to pay fees until the issues are resolved.

The Wellington branch wants to know:

- How a $23,000 surplus in the 1978 accounts became a $34,000 deficit last year;
- Why, in light of the union's finances, the national executive agreed to spend $50,000-$60,000 on a penthouse office suite in Wellington;
- Why education officer Stephanie Coory, was sacked after less than a year;
- On what authority did the executive appoint Rod Trott assistant secretary;
- How the national secretary, Ralph Gerdelan, can justify spending $5000-$6000 in expenses on a month trip to the United States;
- How $81,000 was spent on travelling and other expenses involved in settling industrial disputes over and above the conciliation grant provided by the Department of Labour;
- And a full account of the union's role in the Trojan House affair, a property deal in Wellington that collapsed with a consortium of unions losing a substantial deposit.

Also in question is the administration of a $500,000-plus fund resulting from a containerisation levy and the establishment of a private company, Trade Union Research and Consultancy Ltd. Turac's 10 shares are split equally between national president Walter Jocelyn and Gerdelan.

Last week, Ralph Gerdelan dismissed the allegations as "internal politicising" in the Wellington branch.

All the points raised in that motion had been answered by the national executive, he said.

"I do not think there are any difficulties. We have an open system. There are procedures in the rules to seek the information."

Questioned about the union's involvement in the Trojan House deal, Gerdelan said the union had an option subject to the consortium completing the purchases.

"We were only looking at a small investment, $30,000 for three rooms."

He denied that the union had lost money when the purchase fell through, unlike the original union consortium which is still trying to recover a $46,000 deposit.

Gerdelan dismissed the Wellington branch's complaints as "pre-election sabre rattling".

None of the union's other branches were supporting Wellington, he said.

With the bi-annual national conference scheduled for next March, wouldbe delegates were attempting to find a platform on which to win the election.

A meeting has yet to be arranged between the national management committee and Wellington branch officials.

"We are waiting for them to reply to a letter," Gerdelan said.

Essentially the dispute is over who runs the union — the members or the national secretary. Some of the actions of Gerdelan, endorsed by the national management committee, have been challenged as bordering on the unconstitutional, particularly the appointment rather than election of Trott as assistant secretary.

Attempts by Wellington branch officials to get a breakdown of the $81,000 spent on settling industrial disputes last year led to a request for an independent Federation of Labour audit being considered.

In the previous year, the union spent $19,000 on expenses in settling industrial disputes, mainly on travel, hotels, food and associated expenditure.

In the past all officials have been elected members of the union, a tradition that the national management committee departed from in sanctioning the appointment of a full-time education officer, a full-time economist and an assistant national secretary.

Since the dismissal of Corry, an issue taken up by the Wellington branch on her behalf, the work for all three positions has been done by Trott, who is also contracted to Trade Union Research and Consultancy Ltd.

Gerdelan has been to Miami at the union's expense to attend the two-week-long International Transport Federation Conference. Union policy requires that membership be pursued only when there is sufficient finance and time available.

Members have been told that Gerdelan's attendance was necessary to take note of further development in the "Enna G" dispute, a seven-year-old case between the New Zealand maritime unions and the Nauru Government Commission. The Nauru Government is claiming $300,000 compensation from the Harbourboard Employees Union, the Seaman's Union and the Watersiders Union for the laying up of the Enna G for several months in 1973 after an industrial dispute with the crew over wages and conditions supported by the New Zealand unions.

Union officials have been reluctant to talk to *NBR*, insisting that the dispute is an "in house" matter and little different from the normal tensions and arguments experienced by any organisation or company.

# Mt Cook confident about Tasman plans

MOUNT Cook Line executives are quietly confident that their plans for a trans-Tasman air service will succeed against opposition from Air New Zealand, which until recently was the company's largest shareholder.

Announcing the plans to fly one 30-seat-capacity trijet from Christchurch to Sydney, Melbourne and Brisbane, MCL executive Phil Phillips said the proposal would not threaten Air New Zealand's viability — "if it has any".

The latter comment Phillips jokingly suggested could not be quoted, but he made it clear MCL was more than committed to just "rocking the boat".

Phillips explained that MCL had suffered a severe drop in tourist traffic from Australia two years running. He blamed most of it on what he called the "totally unsatisfactory" deal for South Island-based tourist operations.

MCL claims the bi-government seat allocation arrangements have consistently favoured Auckland over Christchurch, resulting in less frequency as aircraft capacity increased.

Qantas jumboes and Air New Zealand DC-10s can dump several hundred passengers at a time without consideration for connecting flights, specially when there are delays of several hours.

MCL's plans for the more frequent smaller jets, flying up to 14 services a week across the Tasman, would enable passengers to be processed more quickly and give them greater flexibility in flying south from Christchurch on the day of arrival.

At the moment, people booked on six-day ski packages from Australia have to spend two nights in Christchurch.

"We want to have people in the snow at Coronet Peak the same day as they leave Australia — something that can't be done under the present set-up," Phillips said.

Airline movements across the Tasman are merely an "add-on" to the airline's international long-haul services, according to MCL, rather than the more suitable shuttle-type services.

Phillips quoted instances where travel agents in Australia have given up trying to book for holiday-makers wanting to go to New Zealand.

"One agent told me it took him 10 minutes to sell a package to New Zealand for one couple and another 40 minutes to get the seats," he said.

Phillips pointed to the recent white paper on aviation policy to back the company's confidence that it can join the international jet set.

The policy indicates that the Government will allow other operators into the market where they contribute to the growth of tourism.

Aircraft won't be a problem. The airline said it can already line up leasing arrangements *for the trijets, most likely Boeing 727s.*

*Comment*

# Editorial

OUR "private-enterprise" Government is bound to be the toast of the aluminium multinationals, thanks to its handling of the South Island smelter negotiations. It seems to have produced a formula that will make it difficult for the consortium projects to fail. Beneath a complexity of data that comprises the power-pricing formula — at least, according to Energy Minister Bill Birch — is the concept of an escalator which is "simply a method of changing the price in step with changes in aluminium prices".

Assuming the consortium has done its sums correctly to ensure profitability based on today's aluminium prices, then only a catastrophe will deny profitability for eternity, because the cost paid for the major input — power — will be geared to the price yielded for its product in the marketplace. And whether in American or New Zealand dollars, as Birch explained, "if the price of aluminium goes up, the electricity price to the smelter will go up." Conversely, of course, if it goes down, the power price goes down, or if it doesn't go up much, the power price won't go up much.

Birch doesn't anticipate either of the latter propositions. He said it was the Government's view that the price of aluminium would continue to be related to the price of oil, and that the world price would escalate more rapidly than other commodity prices. "Accordingly, tying the escalation provision to the world price of aluminium will give greater benefit than tying it to any other inflation escalators," he said.

The sceptics, however, are bound to recall Birch's advisers being lamentably off-beam in forecasting the future price of oil as they did their number-crunching to justify a vast investment in an alternative fuels policy of suspect worth based on Maui gas. A barrel of Saudi light would hit $28 in 1985, they forecast only last year — and the fact it topped $28 some months ago, and it is only 1980, makes worthless their projections to 1990 and beyond. So why heed their expectations about aluminium prices? More important, why did they not heed the lessons to be drawn from their own monumental blunders, and — if they are so confident that aluminium prices will rise in accord with oil prices — gear the escalation clause to the price of oil, a commodity which they know for a fact is rising as rapidly as its stocks are diminishing?

Would gearing the power price to the same factors which apply for the rest of the country's electricity consumers mean that the smelters must fail? If so, Birch should spell it out that it is a protected industry, and that the taxpayer is underwriting a guarantee that — provided the original price ensures a profit — the smelters will remain profitable for all time.

But if that approach is justifiable for giant smelters, it should be worthy of consideration elsewhere in our economy. The textile industry, for example. The price paid for its major input — wool — could be geared to the price in the marketplace of, say, sox. That way there would be no more Mosgiels. The Wool Corporation would provide wool at a price geared to the retail price of sox, and we would have a perfectly protected industry.

But when Mosgiel hit problems, the Government waved its private enterprise flag. The company was expected to rationalise or go under. It was only after weeks of deliberation that the Government yielded to pressures, and invested $4 million — a drop in the bucket, in smelter terms — into a textile restructuring based on the Mosgiel group.

"I am a private enterpriser, representing a private enterprise party," Prime Minister Rob Muldoon said in explaining that decision. When the private enterpriser accepted — let alone demanded — assistance from the state "whether by way of a subsidy on some of his products or protection against his competitors, whether domestic or international, he compromises his own private enterprise principles". Muldoon explained that the Government had been considering the provision of $4 million of taxpayers' money "to resuscitate a stricken giant in the woollen industry, a giant that has had a major share of the New Zealand market, that had on its board some of the outstanding private enterprisers that we have in this country..." But Mosgiel had been incurring losses "of a magnitude that had never been exceeded by a trading and manufacturing enterprise in this country".

Muldoon then mused on the problem of whether — in the true spirit of private enterprise — the Government should tell Mosgiel it had taken the risk and lost. Or should the government make a financial contribution of taxpayers' money to get the company going again under different management in the interests of the national economy, because otherwise there would be a vast amount of idle plant and facilities and some 1000 people unemployed who would become a charge on the taxpayer? The Government had decided to become involved.

A fortnight earlier, Muldoon said the Government had made clear that the commercial viability of any rationalisation was the issue of first importance. That implied substantial backing and financial involvement from commercial sources, he insisted, and the Government's role should be that of a banker of last resort. "There was no point in the Government supporting an unsound commercial deal..."

That attitude is abandoned when it comes to dealing with aluminium smelters, because the Government expects the smelter projects to generate foreign exchange and jobs. By the Fletcher investment works out at well over half a million dollars per job, and the taxpayer will be subsidising the smelter to the tune of some $40 million a year. It is doubtful that as many jobs can be provided by the smelters as by investing that money into other ventures. Similar doubts surround the foreign exchange returns. Thus the Government is being inconsistent in its philosophical approach and inexcusably hasty in its willingness to plough public money into projects of questionable merit.

We suggest that Birch have a chat with Associate Finance Minister Derek Quigley before he takes us beyond the point of no return. Quigley said the other day he was keen to see investment proceed over a wide front in the economy, rather than concentrated in a few major industries. He recognised "the real risk that we will be seen to be offering special concessions to those big businesses to the detriment of thousands of small enterprises already contributing to the New Zealand economy." And he recognised that this would be "a major political issue in the 1981 election campaign". He, at least, seems to be starting to wonder. — Bob Edlin

## *Without word of a lie*

### Federated Farmers polishing image

ONCE the undisputed backbone of the country's economy, Federated Farmers has hired a public relations firm to sell farming to the public and investors.

Consultus won the contract worth an estimated $75,000 a year from about six other firms.

Informed sources say the final decision was between Consultus and Network Communications.

Network didn't offer a full submission unpaid, but recommended that Federated Farmers change its approach.

Because the goal was to win investor support, Network argued, the campaign should not aim directly at the public.

Instead it suggested a three-year campaign costing about $250,000 (spread over three years) within the industry itself aimed at lifting agricultural exports and putting the country back into a state of relative prosperity. With that approach publicity would come naturally and appear less like a deliberate PR campaign.

Investors would get the message that farming was worth investing in when they saw new goals being pursued under Federated Farmers leadership and the farming community engaged in positive action Network argued.

But Federated Farmers rejected that approach. Details of its PR campaign are being worked out.

### Telling an airline how not to bottom out

BOB Jones might just have to wait a little longer than usual to get a drink next time he flies Air New Zealand.

In Auckland, conducting his property investment seminars, he appeared on Gordon Dryden's Radio Pacific talk-back show.

Asked by a caller if he had any advice to give to Air New Zealand he suggested that it might be an idea if the airline changed its ugly air hostess policy.

Dryden, wisely, declined to comment.

### Magnate survey slips on kindergarten steps

THE next generation but one of entrepreneurs will save the New Zealand economy — if we can hold on that long.

The Small Business Agency is ensuring that future magnates will be properly trained and advised on how to run their activities.

According to the agency's annual report "Waikato University conducted a survey based on Waikato and Auckland clients".

The researchers concluded that: "The majority of SBA clients are under 5-years-old and owner-operated."

Not surprisingly, they also found that "at least half of SBA clients had not sought advice before approaching SBA".

Fair enough. The kindergarten mob cannot be expected to run off for advice while they are still trying to set up a market for finger-painting, second hand toys, and picture books.

We look forward to Youth Aid officers in Trade and Industry, and hope the *Fair Go* team conducts its investigations of kiddie commercial ripoffs with a good supply of potties, big handkerchiefs for the tears, and lots of cuddles.

But perhaps the SBA means that the businesses were under five-years-old, rather than the owner-operators.

## *Brockie's view*



NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor

News & Features:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder.
Contributing:
Finance: Peter V. O'Brien
Auckland Bureau:
Warren Berryman
Advertising Sales:
Manager: Paul A.C.S. Loh
Promotions:
Manager: Kathi Scott

Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Levlens Building
Cnr Airedale & St. Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd.
15 Blair Street, Wellington N.Z.
P.O. Box 9344
Tel: 736-876
Cables: Nalbus

National Business Review incorporates Admark and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Computype Services Ltd, Wellington. Printed by R. Lucas & Son Ltd, 118 Kapiti Road, Paraparaumu.
Single copies: 75 cents
Subscription rate: NZ$26.00
Member ABC (Audit Bureau of Circulations)




*Comment*

# Using the law to delay public hearings

by Keith Johnston

ENERGY Minister Bill Birch's accusation that local residents and environmentalists were using the law as a device to delay major projects coincided with the end of six months Government delay in the hearing of appeals against the granting of water rights for the Clyde dam. The Government's determination to ensure that those appeals are not upheld is the only rational way to explain such a delay.

A significant section of Birch's Budget speech was devoted to the Clyde water rights, which he cited as an example of obstruction and delay. His potted history of the Clyde case was surprisingly studded with minor inaccuracies. One in particular is even more significant for what the Minister didn't tell.

Describing how 16 appeals were lodged against the granting of the water rights for the high dam at Clyde, he said there then followed "an 18 month delay, because of litigation by one of the applicants." That litigation in fact was brought in the High Court by nine of the appellants, all of them local landowners except for the Environmental Defence Society, the only environmental group that had lodged an appeal.

The Minister incorrectly singled out the only environmental group involved as being responsible for the delay.

Bill Birch ... cites Clyde rights as example of obstruction and delay.

Birch went on to point out: "At the conclusion of the action in favour of the Crown the appellant (*read appellants*) decided to take it to the Court of Appeal... But it has not been possible to get the Court of Appeal action up to this date."

In a subsequent interview, he said of the Clyde dam: "If there was clear evidence of the decisions being obstructed, then the Government would have no alternative but to consider special legislation". As evidence of such obstruction, he cited the appellants' suggestion that they would withdraw their appeal to the Court of Appeal "if the Crown would forgo any costs awarded". The appeal "had certainly delayed the conclusion of the Clutha hearings".

What the Minister fails to mention is that the delay had actually been the result of six months of Government inaction.

On January 22 1980, B Atkinson, a barrister acting for the appellants, wrote to the Solicitor-General expressing his client's concern at the possible costs and time involved in bringing an action before the Court of Appeal. He offered to withdraw the appeals in return for the Crown withdrawing their claim for costs arising from the High Court actions.

The letter emphasised the appellants' desire not to cause delays.

The Solicitor-General failed to respond to this and two subsequent letters.

On June 22, C McVeigh, Atkinson's fellow counsel in the High Court proceedings, visited the Solicitor-General, who said that he would try to get an answer from the Government within a week.

On July 17, McVeigh wrote again to the Solicitor-General for a decision on the January letter. He pointed out that the Planning Tribunal had offered a mid-September date for hearing the appeal. This offer would expire if not accepted by July 21.

Eventually the Solicitor-General replied. The letter was dated July 18 1980 — the day after the Minister's Budget speech and five days before the Minister announced qualified agreement on a second aluminium smelter.

The Government had a buyer in sight for the power from the Clutha scheme.

The Solicitor-General conveyed the Government's decision to continue to seek costs from the High Court.

The appellants have accepted the September hearing. They say that to proceed to the Court of Appeal at this late stage would be irresponsible. But, as their barristers have pointed out, a prompt reply from the Solicitor-General could have resulted in a Court of Appeal decision by now.

Why did the Government delay these actions for six months? Why are they now suddenly in a hurry?

The short answer is that the Crown Law Office staff responsible for the Clyde hearings, Solicitor-General Richard Savage and Peter Graham, both resigned in May to become judges. But this answer does not last long. The decision that had to be made was more political than legal. The delay seems to have occurred with the politicians.

For the Government, the delay meant time to do deals. It needed to find a buyer for Clutha electricity if it was to approach the Planning Tribunal with confidence.

Its difficulties can be traced to the steady decline in power planners' growth predictions for demand for electricity.

In August 1979 the Committee to Review Power Requirements reported that electricity from the Clyde dam would not be needed until 1994. Its twin committee, the Planning Committee on Electric Power Development, recommended that the commissioning of the first generating unit be deferred only until 1991. A longer deferral would cause the collapse of the construction programme.

Surplus electricity generating capacity in the 1980s had long been predicted by environmental groups. It posed for the Government the difficult problem of how to justify the Clyde dam before the Planning Tribunal, particularly as the widely unpopular scheme F had been justified by the "need" to provide as large a block of power as possible.

It is understood that a Ministry of Energy Electricity Division lawyer drew attention to this problem and the possibility that the Planning Tribunal might uphold the appeals against the water right. The Government sought other ways to preserve the water right.

The Solicitor-General is understood to have advised against any attempt by Order-in-Council to declare the Clutha a river of national importance under Section 23 of the Water and Soil Conservation Act 1967. He apparently said the Government case might not be strong enough to withstand an appeal to the High Court.

Departmental officials instead proposed to acting Minister of Works David Thomson, that the Water and Soil Conservation Act be amended so the tribunal could only recommend to the Government that the water rights for building the dam should be revoked. At present the tribunal has the power to decide the issue.

An interdepartmental paper proposing the amendments indicated that they "would remove the burden of decision on so important an issue" from the tribunal.

These planned amendments were reported to have been stopped in caucus by National Party backbenchers on October 14.

The amendments indicate the Government's desire to carry on with Clutha Scheme F, although the rationale for the scheme — "New Zealand's ever-increasing demand for electricity" — had disappeared.

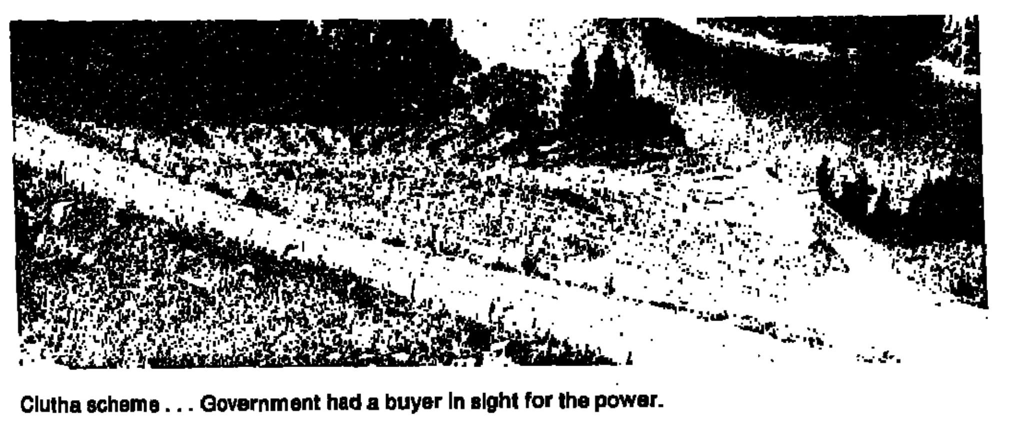
As early as June 1978, the Cabinet Economic Committee had considered the possibility of an electricity surplus arising through mistakes in power planning. It concluded that if it did occur, power could be sold to electricity-intensive industries and the cost spread among existing consumers.

So it was that in November 1979 the Government decided to offer 5000 GWh to new energy-intensive industries at rates reduced on a case by case basis to reflect other economic benefits offered by these industries.

Broad agreement was reached in mid-May 1980 between New Zealand Aluminium Smelters and the Government on the supply of 1500 GWh of electricity to an expanded smelter at Tiwai Point. More than two months later, on July 23 it was announced that "a substantial degree of agreement" had been reached between the Government and the Fletcher-CSR-Alusuisse consortium to build a second aluminium smelter and continuous sheet casting plant. The 200,000 tonne-a-year first two stages of the project would require 3000 GWh.

The Government had a buyer for Clutha power. Five days earlier, its silence had been broken with the Solicitor-General's letter.

Before the end of July, the Minister announced that commitments made for energy-intensive industries, "will mean that the projects that have been put on the shelf will be taken off. The power plan can now be reactivated... Certainly we will need to complete the Clutha in the late 1980s."



Clutha scheme ... Government had a buyer in sight for the power.

The Minister has indicated his determination to make new laws if existing law gets in the Government's way. Such impediments may occur if the Planning Tribunal upholds appeals against the water rights.

The National Development Act reduced public involvement in planning decisions. Now the Minister says that even this restricted involvement is given only with the Government's blessing. Any misbehaviour and everyone has to leave the court.

The assumption is that the Government knows best. That attitude debases the value of contributions from community groups and interested individuals.

Local landowners in the Upper Clutha valley have seen with rising hope the rationale for the Clyde high dam disappear. Now they see the Government changing the rules.

It seems that using the law as a device for delay is quite justifiable — if you think you own it!

Keith Johnston is a co-ordinator of Clutha Rescue.

## Letters

# In defence of Percival

I SPOKE recently with Warren Berryman regarding an article (*NBR* May 19) which refered to this company. The article contained several errors of fact and inuendoes which could be damaging to the reputation of this company.

It is the second occasion on which you have made factual errors in your reports as they affect this company — a reflection on the standard of the reporting.

Your reference to the success of the *New Zealand Lawn Bowler* under Robin Craze is one of pure supposition. It is a fact that since it changed hands the subscription rate to readers has increased by 300 per cent and that the editorial content has reduced against the average issue produced by this company under the editorship of the late Dick Byford. The magazine was born from the initiative of this company in 1969 and produced with satisfaction to all parties for a period of 10 years. The manner in which the magazine changed hands was undoubtedly questionable and your report a hypocritical epitaph to the work of the late Dick Byford and this company.

I have never heard the expression phone jockeys — your reference to earnings of up to $27,500 a year is deliberately mischievous and bears no relation to average earnings; indeed one of our sales people received only $3472 in the last tax year, but it would be just as ludicrous to use this figure to make a point, as it is for your article to use the other extreme.

If you were so keen to refer to the manager of Tasman as ex Percival Publishing Co, why did you not take the trouble to find out why he was dismissed, and include the reasons.

You make the same reference with Jack Challinor — he was also dismissed and not employable by this company and has not been since early in 1977.

This company is proud of its reputation and service — over a whole range of publications — it has traded in New Zealand for over 15 years, it does not change its name or contact addresses and every one of our publications contains our name and printers imprint.

We have provided a valuable source of funds to many organisations and institutions; you don't have to take our word, why don't you ask The New Zealand Association of Road Safety Committee in respect of our initiative and sponsorship to the road safety competition. Our publication *New Zealand Roadcraft* is now in its 14th year and has taken the message of road safety, mainly to childrens through 68,000 copies this year alone.

Ask the New Zealand Association of the Blind & Partially Blind, for whom we have also worked for 14 years, and there are many others.

This is only one aspect of our publications — what better medium for advertising to the thoroughbred world than the publication *New Zealand Thoroughbred*, circulated to every member of the New Zealand Racing & Trainers Federation (Inc). Our other technical specialist magazines — *New Zealand Draughtsmen, Safety Management, E.N.T.E.C.* and the *Worlds' News* — certainly do not deserve the image that your article has set out to do simply by reaching a conclusion without fact.

We continually suffer by misrepresentation from other companies — they seek to confuse titles with those of our established magazines and leave the advertiser bewildered, your article has played into their hands to some extent by erroneously including our company in the same league.

We also sincerely hope that you will not seek to judge from information conveyed by an ex-salesman with little knowledge of the overall working of our company and who has disclosed a client's confidential information entrusted to him as an accountant.

We are a publicly-owned company, our accounts are audited, our legal requirements are fully carried out, we do not make exorbitant profit, we do not make "under the counter" deals and we intend to pursue our business as we have done hitherto.

Finally, we do not regard it as a crime, nor do we complain, when approached by telephone for advertising in newspapers. I have never seen an ad. rep from a newspaper yet — but the minute we place an advertisement in one we are approached by the others by telephone, including some from Wellington. Perhaps Warren would like to have a go at these "phone jockeys".

**W E Chambers**
**General Manager**
**Percival Publishing**

**THE point of our story was that Percival Publishing obtained advertising from companies which believed they were buying space in a publication that would be distributed nationally, but they got only half the circulation they thought they were buying. We thought it worth bringing this to the attention of the business community.**

**Our information about the earnings of your phone jockeys was gleaned from past employees who, being in receipt of the cheques, we assumed knew their own earnings. No reference was made to average earnings.**

**We did not confuse Percival Publishing with REM, Tasman Publishing, Rodnor and so on. Our article on Percival was published as a separate story. But our interviews with businessmen and admen showed common complaints about Percival and the others — ads published without authorisation and lack of audited circulation details.**

**We have three different figures, for example for the circulation of your past publication, *The NZ Lawn Bowler* — you said it was about 5000 copies, the *Bob Wardlaw Media Digest* said it was 9500, and an editorial in the *NZ Lawn Bowler* said it was 4000. What is the advertiser supposed to believe?**

**We did not say the *NZ Lawn Bowler* under Robin Craze was a success. Because Craze had only just got the magazine, it was too soon to judge. But its quality, layout, photos, and editorial were of a high standard.**

**We did not write our story without asking the lawn bowlers why they sought a new publisher. We found no evidence of questionable practice by Craze. — Editor.**

# Fastening the market

AS an avid reader of NBR would like to raise comment on Lindsey Dawson's article (*NBR*, July 28): Risk Capital — DFC $2m not too much to spread, specially her opening paragraph in which she discusses the idea of a brilliant fabric fastener to replace the zipper.

Such a product has been available on the local market for many years and is widely used both by the domestic homesewer and the industrial manufacturing sector. Velcro is a unique fastening system, produced in New Zealand offering all the advantages that the zipper cannot, and is as your writer suggests, a miraculous fabric fastener.

**R Nelson**
**Sales manager**
**Velcro (NZ) Ltd**

# Bungling the power supply

I AM glad you raised the matter of the Wellington MED cutting off power to domestic hot water supplies (Without word of a lie — *NBR* August 4) as I believe this is a matter which should be aired since it seems to be a typical example of bureaucratic bungling.

The reason the power is cut off is not, as you imply, because the supply is unavailable but due to the entirely different charging policies adopted by the separate authorities in a totally nonsensical and incompatible way, as I understand it from conversations I have had with the MED.

Evidently, the supply authorities charge the distributors, in this case the MED, on a basis of the maximum KVA used — which is akin to the "pressure" of the power used, over a given time. The MED charges its customers on the units — or "quantity" of power consumed. To set its charging rate per unit, the MED must not exceed a previously determined budget KVA rate otherwise it will have to pay the supply authority a greater amount for all the power it has taken during that given time which it will not be able to recover from the consumer.

Hence in a cold snap, with lots of people at home (as happened in the May school holidays), when the demand is high, because people are using electricity for what it has been supplied to them for, once the peak load gets close to the maximum budgeted KVA load, wham, off goes the hot water heating, and if that does not do the trick then, zap, down goes the voltage!

This is done without either prior warning or advice at the time, which can be very annoying as my wife will tell you when she tries to do the daily nappy wash for our two infants and runs out of hot water half way through.

But the most stupid thing about it is that the "shortage" has been deliberately engineered. There is no shortage at present — water is being spilled over the dams because we are not consuming enough electricity. And yet the power boards wish to increase the charges because they are not getting enough revenue.

What an *Alice-in-Wonderland* situation! If supply exceeds demand, shouldn't prices decrease? Or does Muldoonian-accounting philosophy override micro-economic theory?

**Robert E. Upton**
**Wellington**

# Medal for Corbans

YOUR *Admark* column recently criticised the advertisement "Corbans Reserve Claret — Strictly for the Connoisseur" (*NBR*, July 21).

You may be interested to learn the Corbans 1978 Claret has won one of the highest awards at the 26th international wine fair in Ljubljana, Yugoslavia — the grand diploma of honour with grand gold medal.

**R J Pass**
**Public relations manager**
**Corbans Wines**



## Politics

# Where vibrant diversity is not just a dream

**by Colin James**

DIVERSITY is one of the riches of democracy. In diversity lies choice: among lifestyles, products, entertainments — and perceptions of the world.

A diverse press is, in most of the mature western democracies, a prized possession. The opportunity to read differing analyses of the same event or statement makes a balanced view more likely.

A homogeneous press is the plaything of demagogues. It denies the reader choice, limits his opportunity to judge for himself his politicians.

It encourages docility and timidity, apathy and ennervation. It is often damned hard in New Zealand to tell where the sheep end and the humans begin.

You might think at this point that I am about to launch into a diatribe about the Prime Minister's fear that taking Tom Scott along with him to India and China might upset Asian foreign relations sensitivities (which is a bit rich, coming from the man who improved New Zealand-United States relations out of sight by calling Jimmy Carter a peanut farmer).

Well, I'm not. Plenty has been written and spoken about it.

Newspaper liberals have opined that the Prime Minister went too far; National Party liberals, by their resounding public silence, clearly have chosen to go that extra distance with him.

Back in the saddle now that Cabinet posts are up for auction, it seems the Prime Minister will be able to develop unhindered, case by case, the principle that prime ministers shall be accountable to the public only through acceptable journalists.

Especially, it seems, prime ministers shall not be (satirically) laughed at. Pomposity shall not be pricked. Smallness suckles self-importance.

Lead us not into the temptation of tolerance. Deliver us from diversity.

Contrast this palsied pursuit of similarity with politics across the Tasman.

There, ministers resign (the most recent is Fraser loyalist Tony Staley, Post and Telecommunications Minister, subsequently shown to have known about a breach of the Broadcasting and Television Act by Rupert Murdoch), parties split and resplit against a background of expulsions, beatings, challenges, corruption — not to mention Budget leaks.

Start with the Labor Party, which seems to have elevated splittism to a fine art.

In Queensland a federally-appointed interim administration controls party affairs after suspension of the previous executive in March. There is a sort of armed truce between the new and old guards, enforced by an election-conscious federal leadership.

In a bizarre scene recently, federal leader Bill Hayden and deputy leader Lionel Bowen simultaneously attended new and old guard barbecues on either side of Brisbane River.

In Victoria the right seems to have won at least a temporary victory with the demotion of left-wing Senator Jean Melzer to third spot (and therefore virtual certain extinction) on the state's Labor ticket for the federal Senate elections.

The right is also trying to replace the state leader, Frank Wilkes, with one of its own number.

In New South Wales the left-right battle has a literal ring about it. A youngish left-wing MP, Peter Baldwin, an outspoken crusader to clean up the party machine, was beaten up recently.

His battered, stitched-up face loomed out of the front pages, giving Labor the chance to scare itself with talk of a Liberal election campaign poster of Baldwin as "the face of Labor".

Then 10 days ago police made a dawn swoop on five party officials, including one who is a Sydney borough mayor and carted them off to court on charges of forging party documents.

The state executive is being kept busy deregistering rotten branches — six so far, a perilous exercise in a party that can rake up only 19,000 members in a population of 4 million (for the record, about the same as the Liberals).

Surely, a party with New South Wales Labor's problems should go down in a heap at next year's elections.

Instead, Opposition Liberals are resigning themselves to another resounding defeat. They blame their predicament on Neville Wran, the country's most popular premier, a super-politician who combines high political management skills with charisma and a penchant for the grand gesture.

One such gesture is his plan to fill up the fine wine-growing Hunter Valley with aluminium smelters.

His latest is to become — while incommunicado (with a Peter Gordon-type throat) — federal president of the party, after the sudden departure for Unesco of nonentity Neil Batt, Tasmanian deputy premier.

Bill Rowling would envy the way it was done: a huddle of the top brass and a phone call — all fixed in a few days. The "election" follows in due course.

Wran's rise is a bit tough on leadership hopeful Bob Hawke, trade union supremo, waiting for his backbench slot in the coming federal election.

And a bit of a shot in the arm (or elsewhere) for whats-his-name, the leader no one recognises in the street.

Sound familiar?

And does a decision by the private enterprise Government to prop up a labour-intensive industry with lots of factories in marginal electorates just before an election also sound familiar?

You've got it. Big Mal crunched the numbers and the textile, clothing and footwear trades kept their protection.

"He's a numbers man," Fraser," a Liberal backbencher told me. "He got where he is by getting his numbers right and he stays there by keeping them right." That includes the reputed great dictator occasionally bending to a hostile majority on his back benches.

The numbers seem to be going Fraser's way again. Though some recent polls have begun to raise doubts, the received wisdom, even high in the Labor ranks, is for a Liberal-NCP coalition win in the coming election.

(NCP stands for National Country Party, known either as National or Country in the states.)

But if you think all is cosy in the coalition, think again. Younger Liberals find their "agrarian socialist" partners embarrassing and irksome.

In Victoria, the Libs are doing their best to eliminate the already miniscule NCP, as they have effectively done in Western and South Australian (it never came to much in Tasmania).

A state National MP, Neil McInnes, has just switched to the Libs, precipitating a challenge to National leader, Peter Ross-Edwards. Liberals are plotting to axe federal NCP minister Peter Nixon in the election after next.

Up in New South Wales the boot was temporarily on the other foot, when deaths left the Liberals one seat behind the Country Party, which had the prospect of being the official Opposition dangled in front of it by Wran.

Further north, the two "partners" are at war. There the National Party is the senior Government coalition partner, having in 1977 got 35 seats with 27 per cent of the vote, compared with the Liberals' 24 seats (25 per cent) and Labor's 23 seats (13 per cent).

The distortions are due to a zonal electoral system which heavily favours country against *town and gives premier Joh Bjelke-Peterson a free hand — even to ride roughshod over his partners, angry Libs say.*

The last straw was getting Joh's wife Flo on the federal Senate ticket.

So the Libs are putting up a separate Senate ticket and are challenging sitting Nationalists in the coming state election. Tch, tch, say the federal Libs and NCP, who get on just fine with each other down in Canberra and are publicly deploring the Queensland rebels. (NCP federal leader Doug Anthony toured Queensland recently to make the point).

But the rebel Libs sense eventual coalition domination and, shorter term, the chance to join forces with Labor to end the electoral zone system. Paradoxically, however, Labor second preference votes may go the way of Joh, wily weed of the political winds, and deny the fresh-faced believers from the city their ambition.

Federal v state; partner v partner; faction v faction; naked weapons flashing in the sunlight. Australian politics have about them a raw vigour and vitality that crackles in the air.

The Tom Scott affair would have been buried in the din over there. But not before a few backbenchers of the "small l" liberal type, had publicly disagreed with their leader over it.

That is diversity.

* * *

You may have gathered from the above that I have been doing my column long-range for the past couple of weeks.

Which has its problems. The Social Credit conference is, of course, at the end of this week, not last week.

And that "table" referred to in the August 11 column never quite made it into print. Sorry if we mystified you. We'll try to catch up with it next time I look at poll results.

*Economics*

# Quigley's control: Caught in the horns of dilemma

**Economics Correspondent**

IT is not always easy to practice what you preach. Housing Minister Derek Quigley had that point firmly drummed home recently.

Early in August Quigley circulated a speech which he delivered on August 15 outlining a more rigorous approach to controlling Government spending (see Colin James *NBR*, August 18). But before he got a chance to deliver his speech, Quigley succumbed to political pressure that virtually guarantees that his own housing portfolio will be overspent this year.

The director-general in charge of lending at the Housing Corporation, John Ward, found that only a third of the way into this financial year, nearly two-thirds of the amount budgeted for home improvement loans had been spent. He argued that if spending was to be kept within budget guidelines, lending at the rate established in the first four months of the year could not be sustained.

By August 1, $10.4 million of the $16 million appropriated for home improvement loans had been spent. If spending continued at the same rate, nearly $32 million would be spent by year's end.

Ward was no doubt conscious that Quigley, a key member on the Cabinet expenditure committee, would like to set a good example to other ministers by controlling expenditures in his own portfolio.

On August 1, Ward announced new criteria aimed to slow the upsurge in applications for home improvement loans. Applicants with incomes under $230 a week, Housing Corporation mortgages, from neighbourhood improvement areas or those who qualified under the Government's community and housing improvement programme were to be given preference.

And Ward was practising what Quigley himself preached on August 15.

Quigley said in his speech that "what is required is an incentive for departments to examine their expenditures, not in terms of their desirability but rather their necessity and priority in the light of the Government's policy objectives and the resources available. At the same time, the possible benefits of the trade-off between giving up old policies for new, needs to be more clearly understood at both the official and political levels.

"Ministers with the non-finance portfolios typically regard expenditure guidelines as less binding than do their colleagues in finance. It is of paramount importance that individual ministers recognise that sound planning of Government expenditures imposes a measure of discipline on individual resource ambitions."

But Ward's tougher control of spending by the Housing Corporation lasted only 12 days.

On August 12, Quigley announced that the $230 a week income limit and the stipulation that Housing Corporation mortgagors should be given preference, would be scrapped.

The political reality is that there is a large demand for cheap home improvement finance. The Community and Housing Improvement Programme (CHIP) came into operation last September. CHIP provides financial assistance to local authorities, builders, developers and home owners for a wider range of urban renewal activity than was available under previous policies. In the seven months after the CHIP programme was initiated, eight special urban renewal areas (called Neighbourhood Improvement Areas) had been approved.

In just over half a year's operation, over $4 million was spent on the CHIP scheme.

This scheme has stimulated interest in rehabilitating older properties. Energy restraints and the uncertainities of the economic situation have influenced home owners to modify or upgrade their existing accommodation rather than move to better homes – the pattern a few years ago.

In March year 1980, 51,751 permits were issued for home improvement. This was an increase of over 1800 above the previous year. Not all improvements require permits, so this figure does not represent the total amount of work undertaken.

The Housing Corporation processed over 2700 applications for home improvement loans last year and made nearly 2200 loans. Total spending for the year was $14.4 million.

Spending in March year 1980 was 38 per cent above the $10.4 million spent in the previous year when just over 1800 home improvement loans were issued by the Housing Corporation.

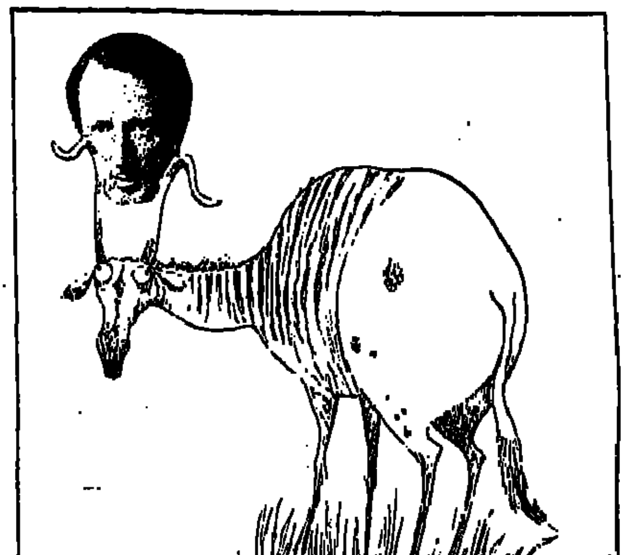
An interest rate of 10 per cent is charged on home improvement loans. While this is the highest rate of interest charged by the Housing Corporation, it is markedly below the 12 per cent charged by the Post Office and the 16 per cent charged by most trading banks.

This difference between the interest rates paid for private sector loans and Government backed loans must stimulate demand for home improvement loans.

Home improvements add value to property. With inflation running at over 18 per cent, it is getting more and more expensive to pay for home improvements.

Paying for home improvements at the 10 per cent interest rate charged by the Housing Corporation is cheaper than paying the additional costs added by inflation.

It could be argued that the Housing Corporation is giving away money for its home improvement loans and its other finance.



Courtesy of McGraw Hill from "A Political Bestiary" by McCarthy and Kilpatrick.

One reason for establishing the Housing Corporation was to provide housing finance for those finding it difficult to get housing finance from private sector financial institutions either because they were not acceptable borrowers (too young, too old, or without an established credit record) or because their incomes were too low to make interest paymer ts demanded by other institutions.

With private sector interest rates rising over the past few years, more and more families have found the prospect of borrowing to finance housing a frightening prospect. Arguably the Housing Corporation should provide finance to these families, as well as the truly low income households.

But it seems that families familiar with how the financial system works have been quick to take advantage of the attractive home improvement loans. Those who may have a greater need are either not aware that they can get finance through the corporation or, for some reason, have not made the effort. Perhaps their entire incomes go in spending on food and other necessities, leaving very little for extravagances like home improvements.

It might be that the Housing Corporation is providing a nice gift to families sufficiently aware of how interest rates work and well enough off to forego some current consumption in order to improve their homes.

This also feeds back to the construction industry, which is being kept alive by housing renewal.

But if Quigley is really commited to cutting back Government spending, he should look close to home before preaching to other ministers. The popularity of home improvement loans suggests that instead of controlling spending in this area, the Government is trying to stimulate it.

O'Brien on business

# Fine tuning tool waits for clearer view of trends

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

ANOTHER ROUND of "fine tuning" is likely if recent economic indicators continue their trend.

Last week the Department of Statistics published retail trade figures for the June quarter, which show a decline in real store turnover for the three months, reversing the improvement which was apparent in the March quarter.

The Reserve Bank's estimates of money supply, and other monetary aggregates were also published last week. There was another slight increase in the basic money supply (M1 – notes and coin, demand deposits at trading banks and savings bank cheque accounts), and in M3, which is M1 plus time deposits at trading banks, savings banks, and demand and time deposits in a range of financial institutions.

The "private sector credit" aggregate continued its downward trend, recording a 16.7 per cent increase in the year to June, compared with 18.3 per cent in the May year, 21.7 per cent in April, and a "high" of 29 per cent in the 12 months to June 1979.

Monthly comparisons of the annual rate of increase for monetary aggregates can be dangerous, because there are seasonal peaks and troughs in money flows through the economy, and the data are subject to distortions due to official policies and the impact of the balance of payments (particularly the current account) on the figures in any given period.

When the latest June year figures are compared with the year to June 1979, the M3 increase of 17.1 per cent is a little below last year's 19 per cent. The reduction this year in private sector credit expansion relates in part to the time lag between changes in M1 and M2 and the flow-on effects on M3 and private sector credit.

The Institute of Economic Research has calculated the lag at about nine months.

If the present gradual upward trend in monetary aggregates were to continue, the Government could take additional action in line with Finance Minister Muldoon's comment in the recent Budget:

"The 1979 Budget made clear the Government's intention to control the money supply, and, in particular, to smooth out the peak in monetary growth which would otherwise have occurred as a result of the fiscal stimulation and improved terms of trade in 1978-79. This aim has been achieved and money supply growth rates are now below the rate of inflation. They should continue to exert a moderating influence during the coming year.

"We will not throw away this achievement. We will not allow credit to increase in order to validate soft wage settlements. If increases in wage costs and prices are excessive, the money will not be there to meet them. *The business community has been warned.* (*NBR* emphasis).

The authorities keep a close watch on these movements, and the present movements, particularly in M1 and M3, are probably still below the "alarm threshold" (for want of a better term).

When the drop in retail turnover, in real terms, is taken in conjunction with the gradual upward movements in monetary aggregates, the old dilemma presents itself.

If the Government were to "stimulate" the economy (even gently to reverse the downward trend (assuming it continues into the third and fourth quarters of the calendar year) it would have to move more money into the private sector, with a consequent effect on the aggregates, its deficit, and eventually on inflation.

Forecasts that there might be a tax cut towards the end of the year, to take effect in 1981, have to be weighed against these competing forces, as does the likely total wage rate increase in the current financial year.

The 4 per cent General Wage Order, plus what appears to be a tacit "wage round" increase of about 13 per cent, would produce a total movement of 17.5 per cent (4 per cent added to end-July payments, plus 13 per cent of the new August base).

"Fiscal drag", the higher proportion of wages going in taxes as the earner moves into a higher marginal tax bracket, will reduce the "take home" result of the wage increases, and with inflation running at its present level that means a reduction in real incomes, and disposal income.

In turn, the reductions would put additional pressure on the retail sector, and intensify recessionary forces. A tax cut would restore part of the lost purchasing power, but would also influence other economic indicators.

On top of all that we have the rising unemployment problem, the effects of the "restructuring" – now apparently being looked at again – and the constant spectre of the overseas deficit.

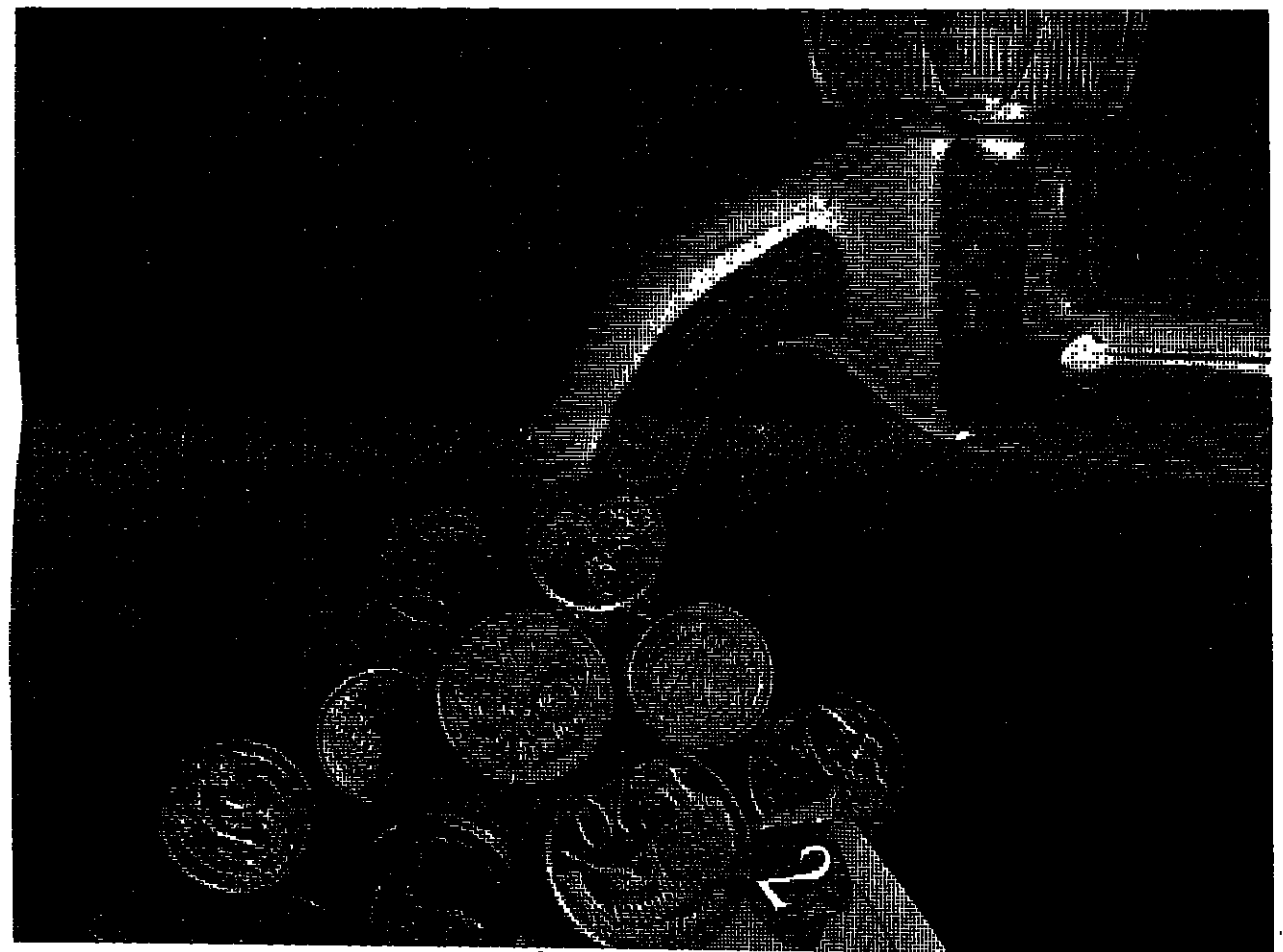
Economic management is never an easy business, irrespective of whether one agrees or disagrees with particular policies. Trying to guess what a Government might do is also never easy, as every business planner knows.

Reserve Bank chief economist Rod Deane referred indirectly to the difficulties in a recent paper, *On the Effects of Inflation*, a document which expanded two addresses he gave in July and August. Deane was talking about the impact of inflation on business, but his comments are applicable to other indicators.

"Not only is uncertainty reflected in the variable impact inflation has on future dollar values, but also it encompasses uncertainty about the intentions of consumers and government itself. As far as government is concerned, there is the problem of attempting to anticipate government's own policy response to fluctuating rates of inflation, especially if these are associated with external difficulties, erratic rates of growth, and rising unemployment (as has been New Zealand's experience in the late 1970s).

"Faced with uncertainty, the business sector is likely to bias its investment decisions towards the shorter term so that the acquisition of capital assets with relatively long lives may be discouraged and the demand for replacement plant and equipment dampened."

Those problems help to support the new "industry" of out-guessing the Government, even in the short term. The current guess is for more "fine-tuning" around the end of the year, when trends become clearer, and Muldoon has returned from his September/October travels.





## Rising prices no succour for unfashionable stock

RISING share prices for selected stocks have done nothing for companies in unfashionable industries. Last week there were 39 shares on the official list with a dividend yield of more than 10 per cent.

Several were stocks which are rarely traded, either because they have a small capital, or a few people control most of the shares on issue and have no intention of selling.

The two factors limit the companies' attraction to institutions. The latter require sizeable parcels to cover administration costs and to allow ready disposal when portfolios are reviewed.

But there are some big companies among the 39, including Andrews and Beaven (10 per cent yield last week), Ballins (10 per cent), Dominion Breweries (11.6 per cent), Dunlop (10.8 per cent), Golden Bay Cement (11.7 per cent), Independent News (10.1 per cent, ex issue), Lion Breweries (11 per cent), NZ Cement (11.9 per cent), and NZ Motor Corporation (10.4 per cent).

Those companies, plus the other 30, are a cross-section of groups operating in difficult industries. Other companies in the same industries are yielding just under 10 per cent, particularly in the textile industry, although several organisations coming into that sector are well above 10 per cent.

The high yields tend to go with a low dividend cover, which is another indication of the profitability problems in the particular industries.

Institutional investors may take a different view, because (irrespective of whether a company pays a dividend from taxable or tax-free sources) they can sit on a high yield until better times come to an industry and then take a capital gain, having received reasonable income over the holding period.

The tax question explains the different investment approaches to Dunlop. The tyre, rubber and sporting goods company paid a massive 40 per cent dividend for the year ended December 1979, but it was all from revenue sources and therefore taxable in the hands of individuals.

A company with a taxable dividend would need [illegible] only 10 per cent to [illegible] on a marginal tax rate of 60 cents in the dollar to leave the shareholder with the after-tax equivalent of Dunlop's 40 per cent.

The institutions do not have that problem, which explains part of the current interest in Dunlop, which sold at \$3.70 last week, having dropped back earlier in the year from \$4 cum dividend to \$3.30 ex dividend.

The company has a harder time in the current term, given the state of the industries it services, particularly motor vehicles, but a buyer at \$3.35 in June is showing a capital gain of 10.4 per cent before brokerage in only two months. Profit in the first half was down 10.4 per cent. At \$3.35 the dividend yield (assuming continuation of the 40 per cent rate) was 11.9 per cent, and that is big bikkies in an institutional portfolio when combined with the capital appreciation.

Lion Breweries was ex a 6.5 cents final dividend last week, of which 1.5 cents (3 per cent) was from tax-free sources.

Taking the total payment of 10 cents, with a 5 cents tax-free element, and last week's 11 per cent yield, an individual on a 60 cents marginal tax rate would need a pre-tax return of 19.25 per cent to give an after-tax yield of 11 per cent.

Brewery stocks are out of favour for many reasons, including the downturn in beer consumption, high imports (and consequent sales to consumers) of Australian canned beer, and the oppressive control system, which results in licensing from the initial manufacture, through distribution, to sale, and the conditions under which the product can be consumed in hotels and taverns.

But the breweries are unlikely to reach the stage where the shareholders forego a dividend, and they could improve their price by a few cents. Holding a share only for yield, or modest capital gain, may seem sterile when the heady action is in forestry and energy, but those who prefer a simple life to exciting ups and downs could find such investment satisfactory, if a sizeable tax-free payment is included in the dividend.

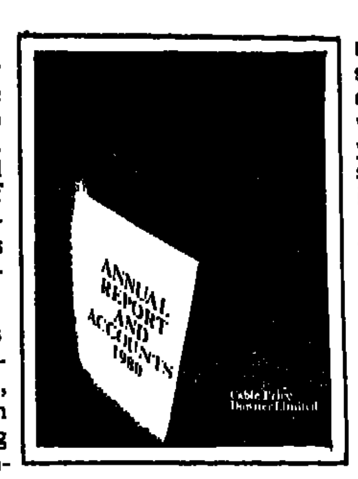
NOTE: The writer neither owns nor has a beneficial interest in any of the securities discussed here.



O'Brien on business

# Analysing annual accounts: Cable Price Downer

THE "infrastructure" companies are fighting to hold their position until large-scale development projects come up for construction in a few years. Cable Price Downer's annual report reflects the problem of relatively low capital investment in the economy, which is one reason for a stagnant business environment.




About one-third of last year's turnover came from "construction" and "engineering", with the rest spread between "merchandising" (including automotive), and manufacturing".

Merchandising was 61 per cent of total turnover, the same percentage as in 1979, but the amount was \$17.1 million higher at \$134.2 million. Construction contributed 19 per cent of total turnover, compared with 22 per cent in the previous year, and was the only activity to decline in dollar value over the year, dropping from \$42.8 million to \$41.3 million.

Engineering maintained its proportionate share with 22 per cent of total revenue, although the amount rose by \$4.6 million to \$27.4 million.

Manufacturing jumped from 5 to 8 per cent of turnover. The dollar figure went from \$8.7 million to \$17.8 million. The substantial dollar increase had a lower impact on the proportionate split between divisions because manufacturing had a relatively small base in 1979, but the movement accounted for about one third of the increase in total turnover. CPD's group revenue was \$220.6 million, compared with \$191.4 million in the previous year.

The company faces tough competition for available contracts, and the construction and engineering subsidiaries are accepting work on tight margins. The construction division had work on hand worth \$37 million at balance date, an improvement on 1979's \$32 million.

There is also a decline in the number of large engineering projects going to tender. This explains a comment that there "is a continuation of the oversupply of engineering capacity which was becoming noticeable in the previous year".

Statements from chairman, Bill Steele's review emphasise the problem: "This performance (the result) has been achieved despite real forebodings about the short-term future of the local heavy construction and engineering industries in which we are involved and which, in recent years, have been the sources of a significant proportion of our income.

"It is true that fierce competition exists among contractors for the relatively few long term contracts that are being offered for tender, while finer margins must be taken to obtain a fair share of the available work."

Tendering for offshore contract work shows some success. CPD won a \$20 million contract to reconstruct and upgrade (in conjunction with Fletcher Construction) an American Navy airport in the Caroline Islands. The company has gained other engineering contracts in the Pacific Basin, particularly for electrical equipment, although competition is tough for such business.

The profit and loss account shows tight control over outgoings last year, with most items (revenue and expenses) increasing in a range between 14 and 19 per cent. A 19 per cent increase in expenses, other than cost of sales, includes a substantial rise in the interest bill. Exclusion of interest results in a 17 per cent movement in expenses.

Group cash flow went from \$10.6 million in 1979 to \$14 million, aided by a jump in "extraordinary" items (including the sale of General Finance shares) and a 25 per cent lift in depreciation.

The relationship of cash flow to total assets (and CPD carries realistic asset values in the books) improved from 9.2 per cent to 10.8 per cent, a reasonable return for a company with heavy investment in construction and engineering.

The consolidated balance sheet is strong, although there was a reduction in cash liquidity around balance date. The company's "contract and other deposits" (a current asset) \$2.5 million, compared with \$7.4 million in 1979, while debtors and prepayments were \$5 million higher at \$27 million. Those figures changed after balance date, when CPD received the proceeds from the sale of General Finance shares to Black Horse Finance Ltd. This shows the danger of reading too much into accounts which are ruled off at 5pm on a given day.

The strong balance sheet may be too strong. Net asset backing was \$3.81 on March 31, but the share price last week was around \$1.90. The shares are widely held, even among the large holdings.

A combination of those factors, plus the tight forward position in engineering and construction, makes CPD a sitter for either a raid, or a full offer, assuming a potential interested buyer has sufficient funds. A raider is hard to stop, at any time, depending on how much he wants to buy.

A full offer would require at least \$55 million, probably in cash. The only group with that money would run into trouble, because the result would be a virtual monopoly of the local construction and heavy engineering industries.

And we all know the only company likely to be involved in such an exercise.

Any offer would raise the problem of balancing shareholder interest against "national interest", leaving directors and executives in the middle.

## Correction

OUR usually impeccable sources were a little unrealiable last week when we discussed *The Operation and Functions of the Reserve Bank of New Zealand*, by Victoria University's David Sheppard and others.

We said the document was for sale at \$35 a copy; that was the price quoted in an accompanying letter.

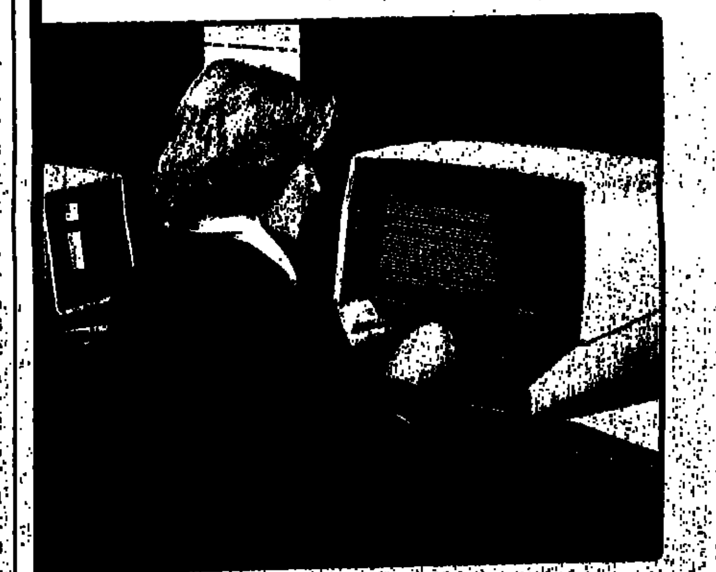
Sheppard told *NBR* last week that a later letter withdrew the price.

Sheppard says our estimates of likely sales was much higher than his, and that the original sale price was designed to cover costs (mainly photocopying) and perhaps show a few dollars surplus at the outside.

Always happy to set the record straight, maintain the economic purity of our academic worthies, and refrain from misrepresenting them.







*O'Brien on business*

# US dollar value offers bright spot in oil import bill

THE massive bill that New Zealand faces for oil imports has one bright spot; most of it is paid in United States dollars.

There would be a big problem if we had to cover that payment in sterling, because the free market rate of the pound against the New Zealand dollar has appreciated 9 per cent since the beginning of 1980.

Last week the quoted spread in London was 2.4305 to 2.4355 dollars to the pound. At the end of 1979 the range was 2.2345 to 2.2405.

The movement in the American dollar, on the other hand, is only 1 per cent over the same period. The London range at the end of 1979 was 1.0115 to 1.0200. Last week it stood at 1.0210 to 1.0220.

The effect of the different movements can be seen by reference to the Reserve Bank's summary of payments for imports and receipts for exports in the June years for 1979 and 1980.

The bank gives cash account figures for country of settlement, as well as country of origin/destination of the goods. The bank's figures are not to be confused with the overall balance of payments figures from the Department of Statistics, because the former only account for cash transactions, while the latter bring in accruals.

The table shows the comparative figures for US dollars and sterling receipts and payments. The substantial amount for US dollar transactions includes the bulk of our oil imports, for which the US dollar is the standard currency of settlement.

We included the relationship between each currency and total receipts and payments to round out the table. The lower proportion of export receipts relating to Britain and the United States results from a substantial (112 per cent) increase in export receipts from "other countries", in the Reserve Bank's classification, after allowance for our major trading partners; Australia, Japan, EEC, "other OECD" and Asia/Oceania as well as the United States and Britain. The "other countries" payments for our exports jumped from $296.6 million in 1978-79 to $628.6 million in the year to June 1980.

Whether we got much of a volume increase in our goods from Britain is an open question, because the effects of overseas inflation have to be taken into account, in addition to the exchange rate movement.

**JUNE YEAR IMPORTS PAYMENTS $NZ MILLION**

| | 1979 | 1980 | Per cent increase |
|---|---|---|---|
| Britain | 663.7 | 799.6 | 20.5 |
| United States | 890.1 | 1354.1 | 52.1 |
| Total Imports | 3396.5 | 4389.7 | 29.3 |
| Britain as per cent of total | 19.5 | 18.2 | – |
| United States as per cent of total | 26.2 | 30.8 | – |

**EXPORT RECEIPTS $NZ MILLION**

| | 1979 | 1980 | Per cent increase |
|---|---|---|---|
| Britain | 747.0 | 842.5 | 12.8 |
| United States | 622.5 | 711.0 | 14.2 |
| Total Exports | 4103.5 | 5144.8 | 25.4 |
| Britain as per cent of total | 18.2 | 16.3 | - |
| United States as per cent of total | 15.2 | 13.8 | - |

But we would be worse off in our cash outflow for imports if oil was settled in pounds.

Oil is one of the reasons for the strong pound. The benefits from North Sea oil are felt in the currency movements, but there are problems for the British economy in a rapidly rising pound, given the chronic state of British industry and its difficulties in competing against other countries even in "normal" times.

Rapidly rising interest rates on London money markets are another principal reason for the pound's improvement in the last 18 months or so (when the appreciation rate against the NZ dollar has been 28 per cent; anyone remember the happy days of late 1979 when $NZ1.90 got you 1 pound sterling?)

While we might have "saved" some exchange through settling oil imports in US dollars, the invisible transactions affect the overall payments. Australia had the greatest gain from our invisibles in 1980 (probably due to emigrants transfers and travel to Australia) but Britain is still in top slot, with an advantage over us of $NZ282 million.

Freight rates, insurance, interest and travel account for the bulk of that amount. Recently returned travellers from England tell of "culture shock" when they (a) saw the prices, even in pounds, and (b) had to change NZ dollars at the going exchange rate.

Anyone would get a shock when a 600 millilitre handle of lager beer (a pint for you imperial measure devotees) cost the equivalent of $NZ1.56, and 20 cigarettes sets the anti-social brigade back $NZ1.94 (91 pence). And a decent meal for two in a reasonable restaurant (including VAT and service charge) will now leave no change out of $NZ60, before paying for the vino.







# Stock Exchange weekly review

**FOR WEEK FRIDAY AUGUST 15 TO THURSDAY AUGUST 21**

| | Last sale | Week's high | Week's low | Turnover |
|---|---|---|---|---|
| AIRWORK,50C | 125 | 125 | 125 | 500 |
| 7.5% PR | ... | ... | ... | 0 |
| 6% PR | ... | ... | ... | 0 |
| AJAX G.K.H. | 275 | 275 | 275 | 700 |
| A.J.WHITE | 100 | 100 | 90 | 205500 |
| 11.5% CONV PR | 60 | ... | ... | 0 |
| ALCAN,50C | 168 | 170 | 168 | 20400 |
| A.H.I. | 240 | 243 | 235 | 6500 |
| ALLIANCE,50C | 57 | 60 | 57 | 18600 |
| 12% CONV PR | 50 | 50 | 50 | 5100 |
| ALLFLEX | 112 | 112 | 110 | 21800 |
| ALLIED FARMERS | 290 | 293 | 285 | 2700 |
| 12% CONV PR | 285 | 285 | 285 | 700 |
| ALLOY STEEL | 200 | ... | ... | 0 |
| A.H.BISLEY, 50C | 205 | 205 | 205 | 2700 |
| AMPOL PET.,50C | 180 | ... | ... | 0 |
| A.BEAVEN | 120 | 120 | 120 | 57300 |
| 11% CONV NTS | 102 | ... | ... | 0 |
| 11.5% CONV PR | 92 | ... | ... | 0 |
| ANDAS GROUP | 107 | 107 | 107 | 5700 |
| 5-6.5% PR | 90 | ... | ... | 0 |
| 12% CONV PR | 90 | ... | ... | 0 |
| ANZ BANKING GROUP | 235 | 235 | 224 | 27200 |
| A.WRIGHT | 330 | ... | ... | 0 |
| "A" 6-7.5% PR | ... | ... | ... | 0 |
| "B" 5-6% PR | ... | ... | ... | 0 |
| A.BARNETT | 185 | 185 | 185 | 100 |
| A.ELLIS | 40 | 40 | 40 | 2100 |
| ARTHUR YATES | 350 | 365 | 350 | 5100 |
| 12% CONV PR | 140 | 140 | 138 | 700 |
| ASHBY BERGH | 235 | 235 | 235 | 1700 |
| A.B.CABLES | 205 | 205 | 205 | 2000 |
| ATLAS, 50C | 32 | 36 | 32 | 9000 |
| 10% CONV PR | 30 | 30 | 30 | 4900 |
| AUCK.GAS | 470 | 470 | 470 | 13250 |
| AURORA,50C | 177 | 178 | 177 | 8200 |
| 10% CONV PR | 110 | ... | ... | 0 |
| 14% CONV NTS | 104 | ... | ... | 0 |
| CONV NTS '84 | 102 | ... | ... | 0 |
| A.C.I. | 198 | ... | ... | 0 |
| AUTOCRAT HOLDS | 180 | 180 | 180 | 50100 |
| BAILLIE,50C | 60 | 60 | 60 | 1400 |
| BALLINS,50C | 69 | 69 | 69 | 18100 |
| 11% CONV PR | 65 | ... | ... | 0 |
| BANK NSW | 415 | 415 | 400 | 2300 |
| BEACH PETR.,50C | 190 | ... | ... | 0 |
| BING HARRIS, 50C | 70 | 70 | 70 | 4600 |
| B.N.Z. FINANCE | 235 | 235 | 225 | 1400 |
| BRAMBLES BURNETT,50C | 48 | ... | ... | 0 |
| BRIDGEVALE,50C | 55 | ... | ... | 0 |
| BRIERLEY, 50C | 365 | 365 | 345 | 87700 |
| 12.5% SPEC PR | ... | ... | ... | 0 |
| BDS, 50C | 50 | 50 | 50 | 3000 |
| B.H.P., 200C | 2050 | 2050 | 2000 | 5835 |
| BROTHER, 50C | 70 | 70 | 70 | 600 |
| BUNTING,50C | 85 | 85 | 85 | 400 |
| BURKES CAT.,50C | 160 | ... | ... | 0 |
| C.P.D. | 188 | 188 | 187 | 14400 |
| 7-9% "A" PR | ... | ... | ... | 0 |
| 5% "B" PR | ... | ... | ... | 0 |
| 10% CONV PR | 170 | 170 | 170 | 200 |
| C.F.C.A. | 215 | 217 | 212 | 14100 |
| 11% CONV PR | 170 | 170 | 170 | 600 |
| C.F.M. | 225 | 225 | 225 | 7300 |
| 12% CONV PR | 145 | 150 | 145 | 2400 |
| CANT.FLOUR | 220 | ... | ... | 0 |
| CANT.TIMBER | 310 | 312 | 310 | 18800 |
| 12% CONV DEB | 280 | 280 | 280 | 15900 |
| CAPITAL RADIO, 25C | 150 | 150 | 148 | 500 |
| CAPITAL LIFE,50C | 72 | ... | ... | 0 |
| CARBONIC ICE | 270 | ... | ... | 0 |
| CARTER HOLT | 475 | 475 | 465 | 14550 |
| CERAMCO | 204 | 205 | 202 | 10200 |
| 12% CONV PR | 98 | 102 | 98 | 1500 |
| CHALLENGE | 295 | 295 | 287 | 106300 |
| CHENERY | 142 | 142 | 142 | 500 |
| CH'CH.GAS | 210 | 210 | 210 | 1800 |
| CH'CH PRESS | 275 | ... | ... | 0 |
| CITY REALTIES,10C | 38 | 38 | 37 | 24000 |
| CLYDE GROUP | 100 | 100 | 98 | 2600 |
| 12% CONV PR | 90 | ... | ... | 0 |
| COLLINGWOOD,50C | 38 | 38 | 38 | 1700 |
| 13% CONV PR | 34 | 35 | 34 | 1100 |
| COL.MOTOR | 185 | 185 | 185 | 200 |
| CON NTS 10% | 135 | ... | ... | 0 |
| COLYER WATSON | 105 | 108 | 105 | 5800 |
| COMALCO,50C | 665 | 665 | 655 | 800 |
| COMMAND | 160 | 160 | 160 | 17100 |
| COM.BANK AUST | 320 | ... | ... | 0 |
| CON.METAL,50C | 168 | ... | ... | 0 |
| CON.SILVER,4C | 11 | 11 | 10 | 50300 |
| COOKS WINE | 175 | 175 | 170 | 7300 |
| CORY-WRIGHT | 116 | 116 | 116 | 4400 |
| 12% CONV PR | 90 | 90 | 90 | 100 |
| CROWN CONSOLIDATED | 203 | 203 | 197 | 39500 |
| 11% CONV PR | 185 | 185 | 185 | 1400 |
| C.S.R | 1015 | 1015 | 1000 | 13150 |
| CYCLONE,50C | 240 | 240 | 225 | 1300 |
| DALGETY(N.Z) | 234 | 235 | 230 | 39600 |
| DALHOFF & KING,50C | 56 | 56 | 52 | 8000 |
| DEANES | 138 | 140 | 138 | 2700 |
| D.I.C | 153 | 155 | 153 | 5900 |
| 12% CONV PR | 120 | ... | ... | 0 |
| DINGWALL & PAULGER | 195 | 195 | 195 | 300 |
| D.MCL WALLACE,50C | 113 | 115 | 108 | 3300 |
| 12% CONV NTS '79 | ... | ... | ... | 0 |
| 11% NTS '82 | 113 | ... | ... | 0 |
| 8% CONV NTS | 90 | ... | ... | 0 |
| D.I.C.A | 68 | ... | ... | 0 |
| DOM.BREW.,50C | 72 | 73 | 72 | 113900 |
| 11% CONV PR | 47 | 48 | 47 | 13300 |
| DONAGHY'S | 330 | 330 | 330 | 200 |
| 12% CONV PR | 330 | ... | ... | 0 |
| D.R.G.,50C | 92 | 92 | 92 | 4700 |
| DUNLOP (NZ) | 385 | 385 | 370 | 4700 |
| 4.5% PR | 45 | 45 | 45 | 600 |
| EBBETT | 120 | 120 | 120 | 5000 |
| EBOS,50C | 130 | 130 | 130 | 300 |
| E L'STEIN,50C | 180 | 185 | 180 | 1500 |
| EMPEROR MINES,10C | 495 | ... | ... | 0 |
| ENDEAVOUR | 132 | 132 | 130 | 4400 |
| E.ADAMS | 160 | 160 | 160 | 400 |
| F.T.C.,50C | 103 | 103 | 102 | 135400 |
| 11% CONV PR | 76 | 76 | 75 | 7500 |
| F.WAIMAK,50C | 66 | ... | ... | 0 |
| FELTEX,50C | 128 | 128 | 126 | 89000 |
| 5% PR | 40 | ... | ... | 0 |
| FIRESTONE NZ | 112 | 112 | 112 | 2500 |
| FISHER & PAYKEL | 195 | 196 | 195 | 35400 |
| FLETCHER | 378 | 378 | 373 | 103000 |
| 13% CONV PR | 108 | 108 | 107 | 3500 |
| FOUNTAIN CORP | 136 | 136 | 135 | 17600 |
| FREIGHTWAYS, 50C | 148 | 148 | 145 | 83700 |
| 10% CONV PR | 87 | 87 | 85 | 6900 |
| GEAR | 85 | 85 | 85 | 400 |
| 11.5% CONV PR | 70 | 70 | 70 | 200 |
| GEN.FINANCE | 200 | ... | ... | 0 |
| G.COURT | 125 | ... | ... | 0 |
| G.J.COLES,50C | 277 | 277 | 277 | 1500 |
| GOLDEN BAY,50C | 52 | 52 | 51 | 25500 |
| GOODMAN GROUP | 265 | 265 | 260 | 35700 |
| 14% CONV PR | 186 | ... | ... | 0 |
| GROSVENOR PROPS, 25C | 52 | 52 | 52 | 1500 |
| HALLENSTEIN | 230 | 260 | 235 | 3400 |
| HARLEY | 165 | ... | ... | [illegible] |
| HAURAKI ENTERPRISES,25C | 170 | 170 | 170 | 100 |
| [illegible] | [illegible] | 55 | 55 | 3100 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] CONV PR | 47 | ... | ... | 0 |
| [illegible] | 200 | ... | ... | 0 |
| [illegible],50C | 305 | 310 | 305 | 24900 |
| [illegible] PR | 30 | 30 | 30 | 600 |
| [illegible] BROWN MAPLE, 50C | 190 | ... | ... | 0 |
| [illegible] 50C | 170 | 170 | 170 | 2400 |
| [illegible] CONV PR | 135 | 135 | 135 | 1100 |
| [illegible] | 140 | 140 | 135 | 74500 |
| [illegible] | 304 | 305 | 300 | 17300 |
| [illegible] HOTEL | 125 | 125 | 125 | 800 |
| [illegible] MINS.,20C | 29 | 30 | 29 | 112900 |
| [illegible] | 225 | 225 | 225 | 9200 |
| [illegible] | 53 | 53 | 53 | 4600 |
| [illegible] CONV PR | 48 | 48 | 48 | 100 |
| [illegible], 50C | 107 | 108 | 107 | 36800 |
| [illegible] | 155 | 155 | 150 | 1800 |
| [illegible] 50C | 330 | 330 | 300 | 104500 |
| [illegible] | ... | ... | ... | 0 |
| [illegible] | ... | ... | ... | 0 |
| [illegible] | 115 | ... | ... | 0 |
| [illegible] CONV PR | 112 | ... | ... | 0 |
| [illegible] | 170 | 173 | 170 | 6000 |
| [illegible] CONV PR | 125 | 125 | 125 | 400 |
| [illegible] BONDS | 320 | 320 | 320 | 100 |
| [illegible] | 110 | 110 | 107 | 10800 |
| [illegible] | 45 | 45 | 45 | 200 |
| [illegible] HORTON, 50C | 47 | ... | ... | 0 |
| [illegible] 50C | 84 | 84 | 83 | 58200 |
| [illegible] CONV PR | 65 | 65 | 62 | 4120 |
| [illegible] CONV PR | 65 | 65 | 64 | 500 |
| [illegible] (WTN.-CANT.) | 97 | 97 | 97 | 200 |
| 13.5% CONV PR | 85 | 85 | 85 | 400 |
| 10% CONV PR | 95 | 95 | 95 | 400 |
| [illegible]VISION | 215 | 215 | 200 | 18700 |
| [illegible] | 167 | ... | ... | 0 |
| U.E.B.,50C | 101 | 102 | 100 | 29500 |
| [illegible] PR | 115 | ... | ... | 0 |
| [illegible] CONV PR | 85 | 85 | 85 | 114800 |
| [illegible] CONV PR | 60 | 60 | 55 | 121600 |
| UNITED STEAM SHIP | 78 | 78 | 78 | 2000 |
| [illegible] PR | 82 | ... | ... | 0 |
| UNITED BLDG | 105 | ... | ... | 0 |
| UNITED PUBLISHING,50C | 190 | ... | ... | 0 |
| [illegible],50C | 59 | 59 | 58 | 1400 |
| [illegible] CONV PR | 50 | 50 | 50 | 800 |
| 12.5% CONV PR | 50 | 50 | 50 | 300 |
| WAITAKI-NZR | 186 | 186 | 182 | 76900 |
| [illegible] CONV PR | 145 | 145 | 142 | 11000 |
| 12% DEBS | 165 | ... | ... | 0 |
| WALKER & HALL | 500 | 500 | 500 | 1100 |
| WATTIE,50C | 120 | 120 | 117 | 54800 |
| 13.5% CONV PR | 74 | 74 | 71 | 19600 |
| [illegible] | 475 | 475 | 475 | 1650 |
| WILKINS & DAVIES | 195 | 195 | 195 | 100 |
| 5.75-7.5% PR | 50 | ... | ... | 0 |
| [illegible] | 125 | 125 | 125 | 200 |
| 12% CONV PR | 105 | ... | ... | 0 |
| WILSON & HORTON | 365 | 365 | 360 | 10200 |
| WILSON DISTILLERS | 100 | 100 | 90 | 1500 |
| WILSON NEILL | 133 | 133 | 125 | 27700 |
| [illegible] CONV PR | 320 | ... | ... | 0 |
| WINSTONE,50C | 75 | 79 | 73 | 134600 |
| 12% CONV PR | 56 | 57 | 56 | 26300 |
| W'GTN (NZ) PROPS, 200C | 182 | ... | ... | 0 |
| 5.75% PR | 72 | 72 | 72 | 1100 |
| WORMALD | 280 | 280 | 280 | 400 |
| 5-7.5% PR | 100 | ... | ... | 0 |
| W.R.CARPENTER,50C | 254 | ... | ... | 0 |
| W.SUTHERLAND | 135 | ... | ... | 0 |

*Overseas trade*

# Political will needed to back official optimism

by Colin James

DESPITE the aggressive public pessimism of Prime Minister Robert Muldoon, work behind the scenes on the "closer *economic relationship*" between Australia and New Zealand will intensify over the next few months.

Deputy Prime Ministers Doug Anthony, of Australia, and Brian Talboys, of New Zealand, made it clear after their talks in Canberra 10 days ago that they are expecting full reports from officials by the end of the year.

This will be safely after the Australian federal elections and nearly a full year before the due date of ours.

I understand the intention — at least at deputy prime ministerial level — is that by the end of the year both Governments should have a clear idea of how far it is possible to go towards *meeting the aims laid down* by Prime Ministers Muldoon and Malcolm Fraser in March.

Those aims were:

- The new trading arran*gement should cover all goods;*
- There should be a high degree of "automaticity" — any transitional arrangements should allow as little opportunity as practicable for subsequent intervention by the two Governments to slow down progress towards the goal fo free trade;
- Very few goods should be excluded from the new arrangement.

This was to be achieved by dividing all goods into three categories — one in which there would be immediate free trade, one in which there would be a phased transition to free trade and a too-hard group.

One possible technique for achieving the desired "gradual and *progressive*" *liberalisation* of trade was thought to be a 10 per cent a year increase in New Zealand import licences and Australian tariff quotas.

It is notable that in talks on the now-defunct textile and garment agreement in Canberra this month, New Zealand offered a 10 per cent increase in licences specifically for Australian goods — though only for the year 1981-82.

In the heady days immediately after the March meeting, there were hopes that the two countries would be ready to exchange lists of goods for the three categories by mid-year.

But the detailed preparatory work was more complex and took longer than expected.

I understand Australian officials had reached the third draft categorisation by the time of the Canberra talks. The process on this side of the Tasman was less far advanced.

It took several months alone, for instance, to identify exactly what is produced in New Zealand in each customs item code — a prerequisite to assessment of the likely impact of any particular breakdown of categories.

In the meantime, an early co-operative attitude by manufacturers had cooled a little.

In May the New Zealand Manufacturers Federation and the Confederation of Australian Industry (CAI) noted that "it was quite likely that some form of positive agreement would emerge", but added that "it was anticipated that no substantive changes would be likely to commence for at least two to three years".

Nevertheless, the two organisations agreed on a programme of study — on non-tariff trade barriers (notably export incentives), legal questions and general trade information.

There was tentative agreement also on some other issues at the heart of the proposed closer economic relationship (CER).

Some progress on potential stumbling blocks has been made.

The two countries' dairy industries have agreed on a trade restraint arrangement which has removed Australian fears that the market there might be flooded by New Zealand cheese and butter.

The problem of "intermediate goods" — components and raw materials — is also now seen on the Australian side as less of a problem than it was in March.

For one thing, New Zealand has discovered it is not an Australian issue alone. For another, the Australians see it as potentially soluble through area content rules and resolution of the differences in export incentives between the two countries.

At the Canberra talks Australia countered a New Zealand bid for free trade in whiteware with a suggestion that the area content rule for whiteware be raised from 50 per cent — which allows New Zealand refrigerator exporters to buy compressors on the world market — to 85 per cent, which would force them to use more expensive Australian compressors.

The Canberra talks got nowhere on whiteware. Nor did they get anywhere on wallets, where New Zealand was willing to exchange limited access to its market for unfettered access to the Australian market.

Some progress was made on carpets — up 400,000 square metres each way — because the industries in the two countries had agreed.

But none was made on apparel, where the Australians insisted on dollar-for-dollar reciprocity in any expansion of the existing limited agreement on preferential two-way access. The agreement was scrapped.

It is now clear that Muldoon's complaints before the talks about Australian intransigence centred on this issue. Both at the National Party conference at the end of July and again last week at the Auckland Manufacturers Association dinner, Muldoon said the Australian dollar-*for*-dollar attitude on apparel threatened the whole CER exercise.

Whether this is a negotiating ploy by a Muldoon still hoping for a freer trading arrangement or is designed to provide an escape route for a Muldoon getting pre-election cold feet is not clear.

The Mosgiel closure has not helped Cabinet restructuring zeal (and there is sensitivity in Australia on textiles, clothing and footwear — the Fraser Government, facing an election soon, opted on August 14 for the status quo in that industry in contradiction of a report by the Industries Assistance Commission.)

But two things have become clear.

- Both officials and industry representatives in Australia are no longer interested — at least for the time being — in time-consuming haggling over fiddly details in the current New Zealand Australia Free Trade Agreement (NAFTA) framework.
- Whatever Muldoon's public pose, CER work at official level will continue on a positive note.

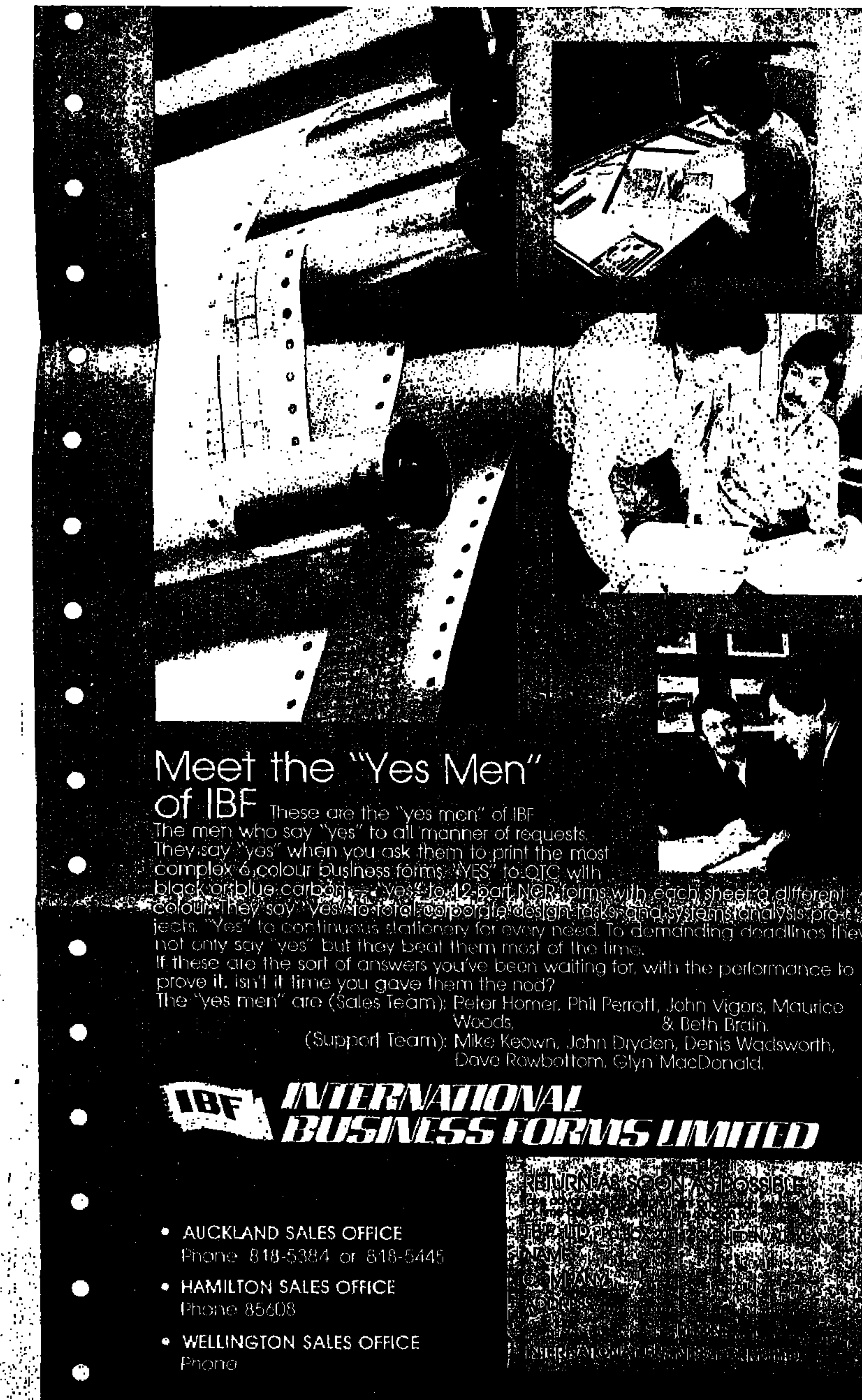
Ahead lies the necessity to:

- Get substantial agreement with industry representatives in each country and between officials on a basis for dividing goods into three categories;
- Find a basis for resolving the knotty non-tariff trade issues — export incentives, tax structures, subsidies, Government procurement policies and energy and resources pricing, and the problems associated with intermediate goods.

There is optimism at official level that solutions can be found — provided politicians have the will to do so.

At the moment it appears there is more will in Australia than New Zealand. That is probably because it has less at stake.

NEXT WEEK: an analysis of Australian attitudes








*Law*

# Another chapter closes in continuing wages saga

by Jack Hodder

THE introduction of legislation to repeal the Remuneration Act 1979 marks the end of another chapter in the continuing story of New Zealand Governments' attempts to inhibit the rate of increase of money wages. It does not mark the beginning of a move by the Government out of the business of regulating central economic matters.

The Remuneration Act Repeal Bill has three main features:

- The repeal of the Remuneration Act 1979;
- But, notwithstanding such repeal, the continuance of existing regulations made under that Act. These relate to the Auckland Bulk Freight Forwarders (Stores) Employees Award, the Engine Drivers, Boiler Attendants, Firemen and Greasers Award and the recent 4 per cent general increase;
- The amendment of the Waterfront Industry, Higher *Salaries Commission and State* Services Conditions of Employment Acts to enable general cost-of-living increases made by regulations under the *Economic Stabilisation Act* 1948 to be passed on to wages and salaries set under those Acts.

Conspicuous by their absence are (i) resurrection of the General Wage Orders Act (repealed by the Remuneration Act) and (ii) companion legislation repealing the extended *price restraint* provisions of last year's Commerce Amendment Act.

The latter Act continues to provide that the Government may make regulations imposing price restraint either generally, on classes of goods and services, on particular goods and services or on goods or services sold by particular persons. Such price restraint may not only limit price increases and profit margins on goods or services but also limit the profit of any business.

What the Repeal Bill does mean is that the Government will fall back to the use of the Economic Stabilisation Act as its major legislative weapon in *the* remuneration arena.

It was that Act that was used to rewrite the meatworkers' award in 1978. And the wide terms of that Act have recently emerged unscathed from a test case in the High Court.

The Economic Stabiliation Act was passed towards the end of 1948. It re-enacted some of the provisions first enacted in 1942 as War Emergency Regulations. The then Labour Minister of Industry and Commerce, Arnold Nordmeyer, introduced the Bill and justified it in terms of the necessity to keep prices, costs and wages from inflating and to protect the currency.

The Parliamentary Debates record a vigorous reaction to the Bill from the then National Opposition. There was much mention of "arbitrary powers" in the hands of the Minister and the need for some test of reasonableness to be written into the Bill. But the Bill became law and has been unblushingly used *at regular (and decreasing)* intervals by both Labour and National Governments.

The Economic Stabilisation Act has become the standard *tool for effecting Government* economic management. That is because of the terms of the legislation and the wide executive discretion they confer. *Section 3 of the Act states* baldly: "The general purpose of this Act is to promote the economic stability of New Zealand".

*Section 4 then charges the* Minister (of Trade and Industry) with the general function of "doing all things that he deems necessary or expedient *for the general purpose* of this Act, and in particular for the stabilisation, control, and adjustment of prices of goods and services, rents, other costs, and *rates* of wages, salaries, and other incomes".

Then there is the regulation making power in section 11: "The Governor-General may from time to time, by Order in Council, make such regulations . . . as appear to him to be necessary or expedient for the general purpose of this Act and for giving full effect to the provisions of this Act." Without limiting that general power, s.11 goes on to indicate that regulations may be appropriate for "regulating the marketing of any goods or classes of goods for the general purpose of this Act".

That the wide scope of the language in the Act means just what it says has been confirmed by the Court of Appeal. In 1972 the Shop Employees' Association claimed that certain of the Stabilisation of Remuneration Regulations made in that year were invalid insofar as they made Arbitration Court orders subject to the consent of the Remuneration Authority. The association argued that the regulations were not authorised by the Economic Stabilisation Act and, in any case, were repugnant to the Industrial Relations Act (under which the Arbitration Court was given its jurisdiction).

Both arguments failed. Then president of the Court of Appeal, Sir Alexander Turner, considered that the regulation-making power in s.11 of the 1948 Act deserved a "liberal" interpretation: "the legislature in enacting it must be taken to have intended to create a wide and general power against contingencies the exact nature of which it was unable at the moment of passing the Act to foresee".

In 1977, Mr Justice Perry in the Auckland Supreme Court was prepared to hold that the *Economist Stabilisation (Rent)* Regulations 1976 were invalid because they were repugnant to and in conflict with a specific statute, the Rent Appeal Act.

*Most recently, in June of this* year, the scope of s.11 of the Act came before Mr Justice Jeffries in the Wellington High Court in a test case on the validity of the carless days regime imposed by the Economic Stabilisation (Conservation of Petroleum) Regulations (No 3) 1979.

In a judgment which will have heartened the Minister of Energy (if not constitutional lawyers) it was held that regulations were valid: s.11 expressly contemplates regulation of the marketing of goods and carless days, by controlling the use of motor vehicles which consume petroleum products, indirectly regulated the marketing of such *products.*

Mr Justice Jeffries dismissed in a single sentence the submissions that the regulations were repugnant to either the *International Energy Act 1976*, (which specifically provides for motor spirits consumption regulations after a "petroleum emergency" has been declared), or the Transport Act 1962 (which generally governs the use of motor vehicles) or common law rights as to the use and enjoyment of private property. His observation that "the number of times the (regulation-making) authority has been used by successive governments has been restrained" may also not win universal commendation.

In an era marked by the growth of judicial review of administrative and executive action, the restrained approach of the courts to the Economic *Stabilisation Act is* perhaps surprising. But with the authority of the Court of Appeal behind it, that approach is unlikely to alter.

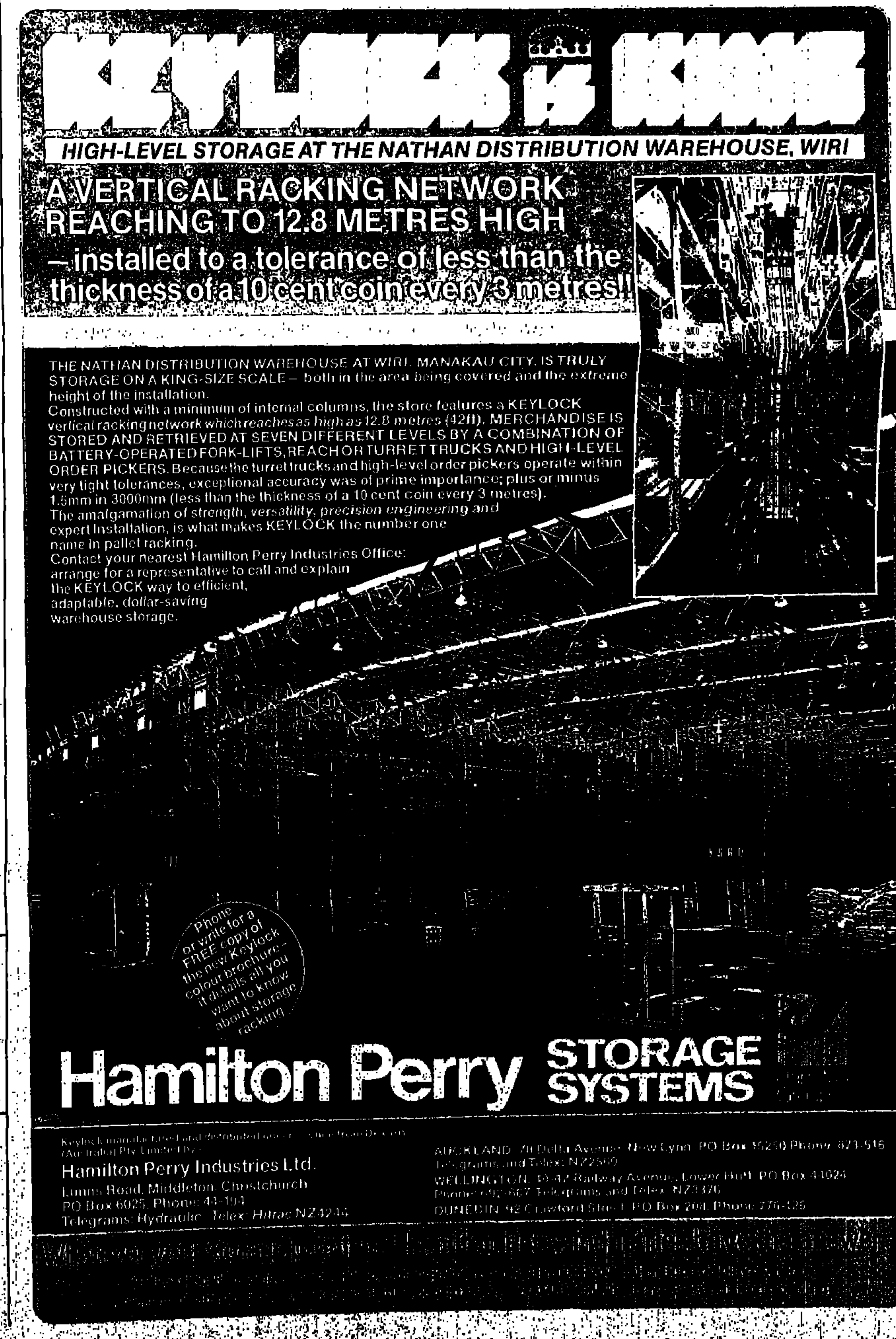
*Surprisingly, but encouragingly,* the Statues Revision Committee of Parliament has emerged to exercise some restraint upon the use of wide regulation-making powers. Or at least it has said that it will.

The committee's recent report on the Remuneration (New Zealand Forest Products) Regulations made earlier this year (and since revoked) includes a number of very useful recommendations and a reiteration of the committee's desire to improve the quality of subordinate legislation.

But it has to be remembered that Statutes Revision's role is one of technical scrutiny and its powers are limited to drawing matters to the special attention *of the whole House. Policy* matters (the limits of which are not easily defined) are not within that committee's jurisdiction.

*Nor is the fundamental* policy question: whether the continued existence of the Economic Stabilisation Act is justified?





*Marketing*

# After spinning the yarn – a book to sell it

by Grev Wiggs

When their end products serve only as the raw material for another manufacturer the marketeer is set problems not usually covered by the text-books.

This is how Feltex Yarns, one of the components of Feltex New Zealand Ltd found the answer.

At is Wainuiomata factory, Feltex Yarns takes woollen tops from its sister factory in Kakariki, mixes and blends and then spins the finished yarns.

These yarns are the raw material for the knitting industry

Mid-1979, the company took stock of the market situation. It faced the sales decline shared by the whole textile industry. There were the unknowns of the then forthcoming Industry Development Commission's report on the textile business. There was the possibility of reduced Government support for the industry and of increased imports. And the entrenched business loyalties between manufacturers and yarn-makers which had tended to perpetuate historic buying patterns and market shares.

The character of the industry was that of a supplier reacting to the demands of a buyer for stipulated yarn types, quantities and colours.

But the company had a strong competitive advantage. Each of its three major competitors were knitters and spinners. Feltex alone was not in competition with its customers.

"It was time we took advantage of the new technology we had at our fingertips," manager Bill Leigh told *NBR*, and "freed ourselves from the traditional restraints which applied throughout the industry. It was time to take a fully committed marketing stance".

Last year Leigh was appointed divisional manager. He had mastered the fundamentals of marketing but did not know about yarn spinning.

Leigh decided that a complete marketing plan could only be put together after accurately defining production capacity, production capability and the profitability needs of the business. These factors would in turn set a target for market share.

To achieve the levels of performance required it was essential to develop a communications vehicle which would carry to customers the story of skills, new developments, new yarns and the benefits of buying and using their particular yarns.

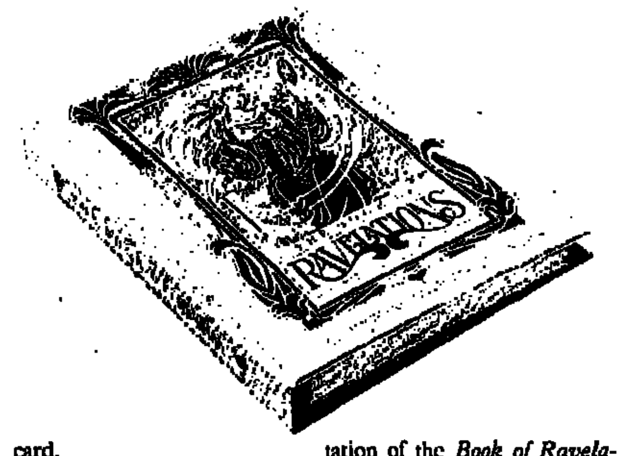
"At this point," said Leigh, "we went to the professionals for help".

Feltex set out to recruit an advertising agency based on the assessment of ability to cope with the strategic marketing problem and to work closely with the division. The decision went to Mackay King Advertising.

The agency did its homework and came up with a completely new sales catalogue showing yarns, colours and knitting samples.

And each catalogue was personalised for each customer.

But this was no plain-Jane-and-no-nonsense range of samples knotted on to a piece of card.




The catalogue bore a title – *the Book of Ravelations*, an appropriate word-play. Its romanticised presentation, quality and comprehensiveness it set a new level of sophistication for the industry, here and overseas.

The test of the marketing exercise was the trade presentation of the *Book of Ravelations*, together with a statement of the Feltex Yarn policy for the 1980s, embellished by a fashion show of garments made from Feltex yarns by Feltex customers.

"We re-emphasised to our customers our commitment to the industry. We promised to support our customers totally through being aware of their needs and by supplying them with fashion yarns of consistently high quality dictated by fashion trends in the market. We offered them a concept of partnership."

Feltex had moved in one step from the position of order-taker to that of co-operator.

If the *Book of Ravelations* was the pretty face of the marketing exercise there still had to be bone and muscle and sinew behind it.

Production quality control systems were improved and refined. Computer systems were developed so that each customer could receive a status report on their orders each week. An information link with the world's fashion centres was established. Administration was strengthened with new appointments. New apprentice training systems were introduced including an Outward Bound course. And a programme of staff communication ensured that all knew what was happening and why.

"The first pay-off we received from the marketing work we have done to date," said Leigh, "was that we were forced to evaluate our actions and activities in the light of the customer's true needs. We understand our customers better and they us.

"The next benefit was in ironing out the off-season production trough. Twilight shifts and overtime, normally suspended in the first half of the year, have been sustained.

"With half of the supply of the *Book of Ravelations* in the hands of overseas buyers we have developed export orders from zero base to a million dollar business.

"For us the market is not declining any more."

*Media*

# Ripples of concern over story that wasn't

WHEN BCNZ chairman Ian Cross dropped a hint to Lower Hutt Rotary Club members last month that television licence fees might be increased Radio New Zealand and newspapers carried the story.

But not Television New Zealand, although its viewers had a direct interest in such a possibility.

The events leading up to this non-story have sent ripples of concern about political interference, managed news, and journalistic integrity among television news people and the Association of Broadcasting Journalists investigated.

After Cross delivered his speech, television news broadcast a headline at 5.55 pointing to an item coming up on the 6.30 news. Shortly after, Cross phoned television news boss Bruce Crossan in Auckland to say his remarks to the Rotary club had been misinterpreted.

Crossan phoned the news desk, warning that the item might be wrong. By that time it was too late to check back with Cross to find out what he really meant, what he wished he had said, what he in fact said, or what he would like to add.

So the item did not go to air.

It appears that Cross's remarks were somewhat ambiguous. The interpretation drawn by the television reporter on the job could have been drawn from the contents of the speech — but other conclusions might also have been drawn.

Still, the television reporter's summary and conclusions were similar to those drawn by radio and press reporters, and their items were not denied.

Anxious to preserve journalistic integrity, the television reporters tried to check back with Cross next day after receiving a prepared statement from his office. Cross was not available for comment.

By that time the story was becoming about as attractive as yesterday's mashed potatoes and was dropped. But the incident has left a sour taste in some journalists' mouths.

The point of principle remains. Stung by allegations of bias from the Labour Party, television journalists who have no self-doubts about their professional integrity, want to be sure the public shares those feelings.

The seemingly insignificant incident has been parallelled with news-gathering practices in days when broadcasting was a fledgling offshoot of the Tourist and Publicity Department. In those times, politicians were often given the chance to edit their own scripts to save themselves embarrassment.

No journalist would want a story they knew to be wrong. But a phone call from Cross saying the story was wrong should have been given no greater weight than a phone call from, say Jim Knox, Rob Muldoon, Patricia Bartlett or Matt Ro...



*Wine*

## Growers rankled

by Frank Thorp...

A WARNING that the ... Institute is a union of ... makers concerned to look ... their own interests was ... president of the ... Grape Growers Society ... Egan at the recent ... meeting of the society ... borne.

Growers must be ... aware of the power the ... Institute wielded, Egan ... view reinforced by ... wine-lovers in many parts of ... the country.

He agreed they must ... operate with the institute ... the Government should ... that the Grape Growers Council and the district societies ... after the needs of the growers. Contract growers now grow ... per cent of the grapes used ... winemaking.

The Gisborne growers ... jolted by remarks made by ... distinguished German viticulturist, Dr Helmunt Becker when he inspected the ... yards some time ago: "Phylloxera is rife, and ... have the healthiest and ... aphids (the phylloxera bug) ... have seen anywhere in the ... world."

There is only one remedy ... to replant the vineyards ... grafted virus-free rootstocks. New rootstocks need a ... rantine period and process ... slow. The distribution is in the hands of the Wine Institute ... one member of the Ministry of Agriculture and Fisheries.

At a meeting held after Dr Becker's visit, the Wine Institute agreed to allow a ... Growers Council representative to sit in on the discussion. But according to Egan, the Institute had now gone back on its word. Contract growers feel they will be the last in the queue to get the healthy stock, as ... slowly dribbles out of quarantine.

The matter was debated at the meeting, and the incoming committee was asked to investigate the feasibility of becoming members of Federation Farmers.

Growers agreed that the horticultural advisory committee — composed of Wine Institute members and various Government departments — should be broadened by including a representative of Federated Farmers.

Egan questioned the delay in payment for grapes. The ... that business practice ... payment by the 20th of the following month he said.



*Government administration*

# Paying the costs of complying with government

by Colin James

A DISMAYING report published on August 6 estimated, Australian businesses spent 13 per cent of their net income — or something like the equivalent of $900 a household — complying with Government regulations, in 1978-79.

That figure does not include the cost of maintaining the regulatory agencies.

It raises questions as to how much companies here are paying — and how much it is costing the consumers at the end of the chain.

The report was compiled by the Confederation of Australian Industry — an umbrella body representing most of Australian industry and commerce.

It has two main thrusts:
- Measurement of the increasing amount of regulation; and
- Data from a secretary of a sample of its members.

It does not claim infallibility.

The investigators found, for example, surprising gaps in information: ". . . Some governments (the report covers both federal and state regulation) were not even aware of, and could not provide data on the number and nature of regulations which they themselves had made in specific years".

The usable number of company replies — 33 — also requires caution in interpretation.

But, the CAI insists, it was conservative in its calculations and extrapolations which lends credence to its conclusions.

It also applied a narrow definition of regulation — "activity taken by governments . . . which have the effect of controlling prices; entry into or exit from the marketplace; product standards and patterns of distribution and other significant aspects of economic activity in the marketplace."

It excluded law, order, public safety and health, defence, social security, tax and statistics collection. And it did not deal with government agencies whose basic purpose is non-regulatory, made no judgments about efficiency and no qualitative judgments as to the desirability of the regulation.

The CAI report first notes the "remarkable growth" of the size of government in Australia over the last decade.

Total Government spending guadrupled (up 298 per cent) compared with a more than doubling (up 132 per cent) of total private sector spending. Government capital spending rose by 150 per cent compared with 90 per cent in the private sector. Sales of Government securities tripled (up 215 per cent) compared with a near standstill (up 8 per cent) in the private sector. Government employment rose by a quarter (26 per cent) and that of the private sector by only 1.4 per cent.

Between 1960 and 1979 federal and state governments passed 16,631 acts and 32,551 regulations. And not only did this pace accelerate between the 1960s and 1970s, but also their average length (and therefore arguably their complexities) grew.

By 1978-79 the direct cost to the federal government of business regulation according to the CAI's narrow definition was "at least" $304 million.

This was 70 per cent more than on "law, order and public safety", 30 per cent more than on "general and scientific research" and around two-thirds of the total for "industry assistance and development" — and more than four times as high as 10 years earlier (up 333 per cent).

In 1978-79, the report estimates the equivalent of at least 12,467 full-time federal public servants were engaged in business regulation — and that estimate, in some cases, excludes typists and other support staff.

In addition to this, the report estimates, the equivalent of around 16,000 staff were engaged full-time in the private sector simply in complying with requirements of federal regulatory agencies.

And that did not include the state requirements. All up, the report estimates, federal and state regulation of business took up the equivalent of around 54,000 full-time jobs. (Translated to New Zealand's smaller population, that would mean more than 10,000 jobs.)

The private sector estimated are extrapolated from replies by 33 companies to a CAI questionnaire asking them to state the cost in money and jobs in complying with regulatory requirements.

This was done on two bases:
- The direct costs and
- The "incremental cost of compliance" — "the direct costs of those actions taken to comply with a regulation that would not have been taken in the absence of that regulation".

The CAI insists the results are conservative. Only the six to eight most dealt with regulatory agencies are covered in each case although the average dealt with by survey respondents was nine in the federal sphere alone and some dealt with up to 30 altogether.

The survey companies accounted for around 2.5 per cent of total private sector employment and wages and salaries.

They incurred a direct cost of $18 million in 1978-79 in complying with federal requirements alone. In addition another $9 million was incurred in secondary costs — delays, loss of productivity and increased costs, including increased capital costs.

"The representativeness of the survey respondents, in terms of regulatory costs is unknown," the CAI report says.

"But, given lack of other data sources and the downwards bias in our assumptions and methods of costing, it was considered reasonable to tentatively extrapolate the survey data to a private sector basis."

On such an extrapolation, the report estimates compliance with federal business regulation in 1978-79 cost the private sector $1080 million, of which $720 million was direct cost.

Adding in the cost of maintaining the federal agencies, the total cost came to $1384 million.

But the burden of federal regulation was less than that of regulation by state governments. Direct state compliance costs to the survey companies were $43.6 million — more than twice the federal cost.

"On extrapolating the survey results, and making an allowance for secondary costs, it is estimated that direct and secondary costs to the private sector for federal and state business regulation might have been of the order of $3720 million in 1978-79," the report says.

"This figure is equivalent to about $900 per household. It does not include the cost of maintaining state and federal regulatory agencies . . .

"Compliance costs (to the survey companies) were equal to 81 per cent of their expenditure on research and development and 13 per cent of their net income.

"In other words for every dollar of net income, the survey respondents spent 13 cents on complying with federal and state business regulation". And it took roughly 15-20 per cent of top executives' time.

Was it all necessary? The report makes no judgment on the desirability of various controls.

But it does report a common comment of survey respondents "that company standards in some areas would comply with, or exceed regulatory requirements simply through good business or engineering practice, but the administrative processes of gaining approvals and demonstrating compliance were labyrinthine, cumbersome, conflicting as between federal/state and state/state and did themselves involve substantial unnecessary costs."

The CAI canvasses four proposals to lessen the burden:
- "Sunset" clauses in acts and regulations automatically ending their operation unless a positive decision is taken to continue them;
- Submitting new regulations and regulatory programmes to full public scrutiny before their introduction;
- Introduction of programme budgetting by Government agencies so that they can better be evaluated;
- Strengthened parliamentary scrutiny.

# *Letters*

## Why thousands cross Tasman

OUR wonderful country has such glorious potential, if only we could eliminate the introduced social disease called "class distinction" and engender throughout our society a true appreciation of the word "productivity" as understood in Japan and West Germany.

Those of us who are left behind ponder on the reasons why thousands of our countrymen have flocked to apparently greener pastures in Australia. This might give some clues.

My daughter recently visited Sydney and bought a crockpot of the same brand as is available in Auckland, except that the Auckland version has an inferior plastic lid; the Sydney version has a pyrex lid. The cost in Sydney, $23. The cost in Auckland, $53.

My neighbour wanted a pair of remote-controlled aerials for his Jaguar. A friend in Sydney bought them there. The cost in Sydney, $13 each ($26 the pair). The cost in Auckland, $76 each ($152 the pair).

A builder acquaintance is in the process of selling off his New Zealand assets and re-establishing his business in Queensland. He arrived in Auckland and bought a new toilet pan and pipe for one of his properties but was horrified at the price because he had bought the same article in Queensland last week for a property there. The price in Queensland, $53. The price in Auckland, $124. (He is making a greater profit building houses in Queensland for $18 per square foot than he was able to make in Auckland building houses at $30 per square foot).

Our ridiculous pricing and continuous galloping inflation is often blamed by our *mediocre politicians, on external* influences over which they claim, we have little control.

I suggest that these external influences play only a relatively minor part in our continuing economic woes. Most of our problems are the inevitable result of four groups within our society and the correction of these problems lies within our *own internal operations.*

(1) Irresponsible unions are often discussed, but their real threat to society lies in the padding of numbers and resistance to changed methods to improve technology and productivity.

(2) Incompetent management is rife throughout New Zealand but very seldom comes under the spotlight of scrutiny — either public or private. The "cost-plus" production-oriented attitude of many managements belongs to Victorian era England and has not been appropriate to our needs for the last 60 years. Many of our largest blue-chip companies are the worst offenders but they are able to survive and flourish because they have a near monopoly of the local market assisted by artificial protectionist policies against overseas competition.

(3) Our producer boards and primary industries are obsessed with shipping in bulk overseas rather than increasing the local content by further processing. This means that the bulk of our meat is shipped overseas in carcass-form to be processed at its destination instead of locally. We ship overseas large quantities of logs to be processed at their destination. *We read of hides being shipped* overseas for processing and re-import.

(4) Our mediocre politicians spend so much time scoring petty party victories over each other that they appear to have forgotten why they were put there in the first place. For Government spending to increase from 29.2 per cent GDP *in 1974 to 38 per cent GDP in* 1980 (*NBR* July 21) is nothing less than extreme incompetence on the part of all politicians, regardless of their party affiliations.

Instead of leading and governing, our politicians appear to prefer playing at politics until circumstances force them to move.

*To take just one example,* let's consider the Maui gas field — one of the biggest in the world — discovered some 10 or 11 years ago but still not being utilised to any significant degree. By now thousands of vehicles could easily have been running on CNG saving millions of dollars in overseas exchange for oil purchases — but *lack of political leadership* has meant that only a handful of vehicles have access to CNG.

Hitler was short of oil but it didn't take long before he was using seven tons of potatoes to produce enough alcohol to power a V2 rocket to bombard England.

We read reports that our own scientists have few technical difficulties in producing alcohol from timber — but lack of political leadership means that our expertise and opportunities must lie dormant until some future time when pressing circumstances will make the decisions for us.

We have a wonderful country with fantastic potential. If only we had the motivation to utilise some of our advantages instead of continually creating worse problems for ourselves.

**A Anthony**
**Auckland**

## Travails on travel

I FIND Peter V. O'Brien's article on American tourists disappointing in the extreme (*NBR*, August 4).

The opening paragraphs lead the reader to expect some "intriguing information" on the attitudes and information needs of potential American travellers to New Zealand. The article does not provide this and it leaves many questions unanswered.

The method of survey is described. Fair enough, but how about some detail. How is "potential traveller" defined? Is he different from "potential American visitor"? On what basis did the Tourist and Publicity Department select them?

Next is a bit on "motivation to visit New Zealand". Does this come under the heading of attitudes? Hardly. Again very little information. Just how many "attractive features" were listed in the survey? What were the other ones? A table of results is always more lucid than figures mixed with text.

Now the question on airlines. Yes, certainly this reveals an information need. Perhaps we're getting somewhere. (Again a table would have helped). But no, the rest of the article deals with age, education and income of potential visitors. No mention of attitudes, no mention of information needs. First there is the statement that the "profile of Americans ... confirms what many New Zealanders would suspect ..." Not, therefore, intriguing information!

The age breakdown reads like one of those complex problems in the *Listener's* "Diversions" column. If you must expand the simple statement of average age, use a bar chart or similar.

Next, we are told that because of their considerable travel experience, they are more likely than most to know what they want to see. Okay, so just *what* is it they want information on?

Next, some more intriguing information: "Not surprising ..." And so it goes on.

Having read the article and deciphered the figures, I find that I have not gained any knowledge of American visitors attitudes, and have not learned what their information needs are, (except the words "Air New Zealand").

Good journalism?

**C Brian Smith**
**Wellington**

## Unbiased observations

LIKE Allan Parker, this writer is anything but an unbiased observer of the Saturday trading debate. (*NBR* August 11).

I select only two points from his totally unbalanced case. As a former shop assistant of some years experience, I venture that "with more time to browse," and given the present economic climate, shoppers are not only by *definition less likely to buy* on impulse, but are more likely to spend less on "the item they want." And Mr Parker claims the ability to "knock holes in virtually every sentence" of a "diatribe" contained in a Shop Employees' Association pamphlet, but knocks not a single hole.

If it is not too metaphysical, I'd like to see some of the holes.

**John Balneaves**
**Christchurch**

*Energy*

# Basic building measures slice into energy costs

**by R W Shakespeare of *The Times***

IN western industrialised countries, energy savings of 30 per cent could be achieved by basic improvements to public buildings and effective energy management.

The total cost of such a programme could be offset in five years – in many cases less. If a 10-year time scale for cost recovery is envisaged, more buildings could be adapted and more than 40 per cent of current energy use would be saved.

These are the conclusions reached by a Liverpool architect Sydney Bolland, who has been directing a British Government-backed study of energy conservation in buildings.

A key part of the study involved computer modelling of how certain buildings actually worked, measured against the energy used in one year. This enabled the modelling of possible changes in fabric, systems and usage to be assessed with 95 per cent confidence.

Costs were then applied to the various improvements and an assessment made to determine the size of the saving.

Although the study centred on Liverpool, (it was funded jointly by the city of Liverpool and the Government's Department of the Environment to the extent of £80,000 ($NZ192,540) the recommendations are likely to have a far-reaching impact. They would be incorporated in a national energy saving strategy.

The methods adopted by the survey team could be applied in countries where cooling is more important than heating. In temperate climates the emphasis in building design has to be on keeping the heat in during the winter. In the tropics good building design tries to keep the heat out and the air flowing through the buildings.

The studies of the survey team which included Architectural Studies, Professor Patrick O'Sullivan, of Cardiff University, Wales, and Richard Burton, the Royal Institute of British Architects' Energy Convenor, were based on a stock of 2500 city council owned buildings of all kinds in Liverpool, with a current heating and energy bill of more than £5 million ($NZ12 million).

The most encouraging result of the project is the clear indication it has given that minimal capital expenditure can often produce dramatic savings and make the cash recovery periods short. The implication would seem to be that even in times of economy, money spent on energy conservation would be a sound investment and bring cash savings.

From Bolland's initial report the simple fact emerges that for every 1 kW/h of energy consumption to be saved, the investment cost in Britain ranges from less than two pence (NZ5c) in older buildings to about ten pence (NZ24c) for newer offices. The average cost of providing one 1 kW is 1.7 pence this year.

An understanding of the national use of energy must include a recognition that almost half the energy used in Britain is for heating buildings.

He argues that since most of the buildings Britain needs actually exist – less than 1 per cent of the national stock is replaced each year – the main opportunity for conservation must lie in existing buildings.

Bolland said: "Most buildings in the western world can be redesigned to use less energy at any time." The usual practice is for heating systems to be replaced about every 25 years and internal adaption is normal practice. The improvement of the thermal characteristics of roofs, walls and windows is a relatively new idea but such measures, when applied to building fabric, can go on adding to energy savings for many years.

"In this respect, buildings can be seen to be as important in energy terms as resources of coal, gas or oil – in other words a continuing national asset." He argued that energy conservation in buildings would require the determination to act and the nerve to persist with a long term programme despite short term difficulties.

After reviewing Liverpool buildings, their pattern of use and the energy delivered to them, the study group identified buildings where money spent on conservation could most quickly be offset by reduced energy demand.

One finding was that older school buildings, built before 1955, and all old persons' homes offered the best return on investment.

Bolland said: "Very briefly, if £2 million were spent on these buildings alone, this could be offset in two winters, given good management of the buildings. More than £1 million would be saved in energy costs each year, depending on the increase in fuel prices over that time. The steeper the fuel price rise, the more money could be saved."

Any savings made in the first year are unlikely to be maintained unless the management of the building is improved, he said.

This meant that the officer in charge of any building must be able to understand the way in which energy is used and affected by the way the occupants use the building. This understanding must be passed on to those who use the building.

"Energy economy must become part of legitimate normal business. Education itself not only by increasing knowledge but also by changing behaviour," he said.

"Buildings and their support systems are designed to suit certain needs and functions but not around their design occupancy.

"Schools, for instance, only one third full are more difficult to control, as designers, in their calculations, allow for the heat given off by pupils. Ten pupils sitting for one hour can be equivalent to one kW/h."

The conservation of energy is "a matter of improving the overall thermal performance of buildings – that is, their fabric, system and use – and educating people."

The study group made six main recommendations to Liverpool:

- In accounting the city should clearly distinguish energy use from other expenses.
- It should review methods of control for energy expenditure, recognising the importance of the officer in charge of each building.
- It should consider a programme of energy conservation advice to all its officers;
- A caretaker for each building type should be given intensive energy conservation training. They should then advise other caretakers how to save energy;
- Consideration should be given to a minimum programme of action, to include one project in each main building type as a feasibility project for further action.
- Consideration should be given to the opportunities for larger scale energy conservation investment;
- The city should continue with its programme of fuel efficiency and the installation of more responsive controls for heating and lighting systems in existing buildings.





*Aviation*

# Air NZ begins crew training for Boeing 747s

**by Lindsey Dawson**

AIR New Zealand has begun the big logistical task of training staff to operate the five Boeing 747s due for delivery from May.

Six senior pilots and flight engineers are already gaining 747 type ratings with Qantas, and a further group will go next month. These executive pilots will write the operations manual, develop training programmes and examine the performance aspect of 747 operation so that the rest of the airline's crews can begin training from February 9.

Initial training will be done in New Zealand, and flight simulator time will be provided by Boeing at Seattle. Qantas will also provide simulator training in Sydney.

The first senior engineering staff will leave on September 15 for training courses at Boeing and at the Rolls-Royce plant in Derby, which run from between 17 and 80 days.

The man in charge of the huge planning job is technical support director Ian Diamond. Although retraining and retooling for the jumbos is a big step, it is not as complicated as the change from DC8s to DC10s, which involved "quite a jump in technology".

But the task is complicated by the Government's choice of Rolls-Royce engines for the plane which the airline is banking on to pull the airline back into the black.

The airline has 30 engineering staff already qualified for 747 maintenance work because they service other airlines' aircraft in Auckland, and some have qualifications on the RB211 engine.

But they will require some re-training because the Rolls engines differ from airline to airline.

Qantas' engine is the 524-B2 engine. Air New Zealand's first model will be the C2, producing 1500 more pounds of thrust, and the ultimate engine, the D4, will be more powerful again, with some major engineering changes.

This was the engine the Government nominated because of its fuel-saving characteristics but it won't be available until 1982. That will put the airline through considerable handsprings in training and re-fitting when they finally come off the production line.

The company's air and groundcrew instructors will train overseas from September through December and then start its own training school in January with the help of Boeing instructors. Changes will have to be made to its training school set-up, which will provide trainees with push-button responder units in the classroom for question and answer sessions with instructors.

Some temporary rooms may have to be built to cope with the initial rush, but Diamond expects that the current facilities should be able to cope in the long run.

The airline will be hampered initially by the lack of a flight simulator, which won't arrive until April 1982.

Apart from initial conversion training, the pilots also need "continuation" – the regular simulator flying done by all crews to keep their skills sharp without usuing valuable flying time in a real aircraft.

Captain Dave Eden, the airlines director of flight operations, said it was unlikely that Qantas would have enough spare time for Air New Zealand crews as well as its own, and that Air NZ was looking to Cathay Pacific for the use of their facilities in Hong Kong.

One of the critical areas is in maintaining sufficient flight crews for DC10 operations while training is going on for 747 flying. Eden said that sufficient crews would be available to create an overlap situation as the DC10s would start to go as the 747s arrived.

After the changeover the airline may have an over-supply of pilots although the situation was "not entirely clear", he said.

"We expect that the introduction of our own DC8 freighter next year will take up all the surplus."

Some pilots will have to reconvert back on to the DC8.

At the same time as the airline gears up for 747s, some business may be coming its way from TAA and Ansett to help with their conversion programmes.

Ansett is buying 12 737s and Australia's *Bulletin* reported several weeks ago that its pilots would be trained by Air New Zealand.

Diamond would only comment that negotiations were taking place with Ansett. He was similarly cautious about the *Bulletin*'s report that TAA which has ordered A300 airbuses, will "depend heavily on Air New Zealand in the first phases for assistance with the General Electric CF6-50 engine, which is the one Air New Zealand became expert in because of its DC-10-30 fleet".

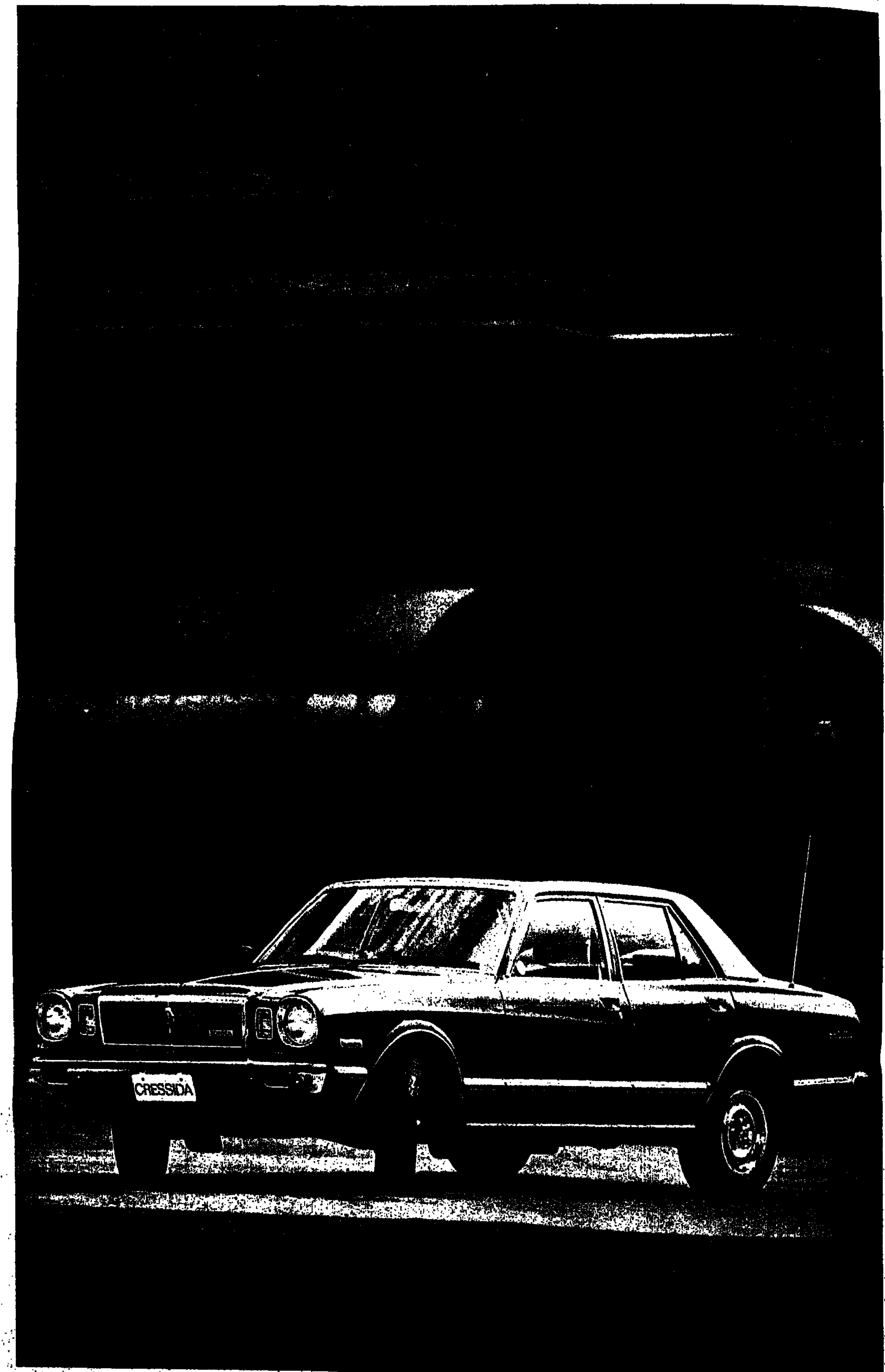
He confirmed that his company "had been talking to TAA regarding assistance."

Air New Zealand is keen to retain its CF6 engineering facilities even after the planned sale of the last DC10.

It handles engine maintenance for the Australian navy (which uses a marine engine similar to the DC10's) and Malaysian Air Systems, and will "actively pursue" continuation of the work.

"We are committed to do so until the end of 1982 and it is our intention to maintain it if possible," said Diamond.

Ansett and TAA are planning big building programmes to provide hangar space for their new aircraft, and Air New Zealand may also have to provide more under-cover working areas in future. Its present Auckland hangar can accommodate one 747 – "we can just get one in tail first".






# Cressida.

Toyota announces a rare car.

Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst-a very responsible consideration for thinking owners.

The instrument display includes, amongst other uncommon delights, a quartz crystal clock and fully integrated cassette stereo.

The front seats are infinitely adjustable,-and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

And because Toyota make the Cressida, all this luxury is on top of quality.

Not instead.

Cressida.

At the moment 5 speed manual $12,300 and automatic $12,800.

TOYOTA
Ahead in the 80's.

TOYOTA NEW ZEALAND LIMITED
Prices and specifications subject to change without notice

15463

*Sport*

# Amidst the gore, guts and grit — a dancer!

**BRIAN Turner gives a personal view of the sporting scene in this occasional column.**

EVERY sport has its own lingo, vernacular, *lingua franca*, call it what you will. Listen to golfers talk of hitting it "flat" or "skinny", "choking" on putts and so on. Cyclists speaking of so-and-so being "shot out the back", or someone else sitting in the "bonk wagon". Murray King exclaiming that John Walker has the field "shot to pieces", cricketers referring to the "cherry", "nut", "agate", anything but the ball. And *think* of the number of participants who have been "creamed" or "shut out" of a game.

The trouble with such talks is that while for a time it is amusing and diverting, it soon begins to pall and one longs for what lies beyond or deeper. In other words, one longs for some real and not merely surface illumination of what occurs and why.

It's all very well to say that because we are talking about sport we should keep it simple and not complicate things. My answer to that is that since so many take sport too seriously, and since it's run by human beings, it can't help but be complex.

I was again reminded of these things when I read Phil Gifford's account in the *Listener* of the way in which Auckland rugby coach Bryan Craies whips his boys into the required lather and frenzy. (Gifford, incidentally, is in my view one of the few sports journalists we have who seems prepared or capable of looking beyond the earnest self-righteousness that cripples much of our sport.) Gifford recounts how Craies contrived to "zoom the boys up" at a team talk before the shield challenge from King Country.

It stirred memories of a rep hockey coach I once endured who used to prowl about the dressing room coughing, frowning, scowling, hunching his shoulders and occasionally smashing his fist into his palm whenever he wanted to place monumental, savage emphasis on some point. We had to never let up, annihilate, crunch, overpower, outrun, out-think, out last, slaughter, shame, play to the whistle, don't question the umpire, remember the game's not over until the final whistle blows, exert tremendous pressure, keep the bastards pinned in their own half, believe in ourselves and achieve total control.

We were told to play until our "minds cracked" and if we "burst our guts" in the process we weren't to worry because he'd be there to shovel it up and stuff it in again.

This was all very reassuring and, of course, you will realise *that this man's attitude to a* harmless amateur game was by no means unique or extreme. We were all aware that to represent the province was a great honour and that others were raring to take our places should we let the side down.

*My* main concern, as captain, was with those who while possessing some "fire and spirit" were always short on practise, theory and skill.

A warm glow of recognition flooded through me as I recognised Craie's predictable and marvellously full store of bourishly effective phrases. Gore, guts, grit. Wonderful.

I read of sweat and tension and fighting "to the death", and I remembered how my father talked — as he still does — with awe of a shattered Ron Elvidge's great try. Craies asked his boys to plug into "that powerhouse of determination" and "play like men possessed" on their own "dungheap".

Now I'm not sneering or jeering at all this basic, low common denominator stuff. Not entirely. I know it often works. I've seen it work. I know what its like to feel the adrenalin pumping and how the more you admire the opposition the less likely you are to beat them.

You have to observe the opposition, of course, if you are to counter them, but thereafter contempt is more likely to reap results than consideration.

But what I begin to cavil at and resist is the baseness, harshness, the unremitting physical destructiveness of it all. *The emphasis of graunch* and grind rather than that marvellous combination of grace and urgency in association with flair and imagination. It is these things that give rise to the sporting moments that linger longest in the memory, and keep on returning to stir us.

And our attitude to sport is not only too prosaic; it is also blatantly chauvinistic. The worst thing you can do is call someone a shiela, a poof or a girl!

We are too quick to approve and laud shows of physical strength because they denote power. And because men know that women are nearly always excluded from experiences involving extreme muscular ef*fort they can maintain a pre*serve, a bond that women find hard to break. The men might disdain to be women, but not to have them. That is the crux of it. So it goes something like this; first the game, then the booze, then the crumpet.

I wish our sport wasn't so much like this but I regret to say it is. Too earnest, too humourless, too physical too sexist.

If you doubt me, cast your minds back to the daft and needless television inquisition conducted (and relished) by an amused Ian Fraser soon after the recent return of the All Blacks. There we had the hapless Eric Watson, marooned in a southern studio, looking like an upbraided and harried Russian dissident about to be sent to a psychiatric prison. One could sense his bewilderment and feel the strain as he fought to control his annoyance. I don't blame *him*.

In the Wellington studio was a panel of six participants and observers, all of them eminent in their own ways, all of them expected to disinter, examine, explain. J J Stewart made a valiant effort to see that a sane perspective was maintained but, as with all such panel affairs, the result was a failure. There is never enough time to do more than merely scratch the surface of whatever subject such programmes attempt to cover.

Not long ago I read an article by Clayton Riley published in an American magazine in which he quoted a black football player as saying: "White boys only want to know what the final score was; they're only interested in the results. Brothers want to know what happened in the game like, 'Did O J dance'?"

I'm going to finish on a hopeful note and say that the events in Australia released a ray of hope. Bruce Robertson. Not necessarily because of the way he played, but because of the way he can play. That point has got through, at last, to a lot of people. They want to see that sort of dance.

Eric Watson, much and often unfairly maligned, please take note.

*Computers*

## Disaster facilities

A MELBOURNE company, Computer Tape Storage, has provided a special service for clients whose computers are put out of action through disasters.

A spokesman for CTS said the company could offer a recovery operations centre providing data communications lines, data entry area, data control area, tape/disc library and management offices with amenities.

He said it would provide a "total computer room" — except for the computer itself; this is not provided because it was impossible to keep up with the ever-changing needs of clients. Although large suppliers could supply a new computer with 10 days this did not solve the problem of properly equipped premises with the necessary communications lines.

The recovery operations centre cost $A500,000 and already has several subscribers from among banks and building societies.

The C T S spokesman said Australian companies were generally apathetic about disaster planning despite the occurrence of some computer disasters in Australia. He said that two out of three companies failed after suffering a calamity such as fire, and a recent United States study has shown that of 110 large corporations, 90 per cent of those without a disaster plan would have to close down within 10 days of a disaster.

As Australian corporations geared their whole management to the availability of information in a very short time, the need for disaster planning would become obvious.

# Secondary producers complain of undue haste taken by department officials over industry studies

**by Rae Mazengarb**

MANUFACTURERS are dissatisfied with the haste in which some industry studies — specially those being handled by Government departments — are being undertaken. They want changes made to industry study procedures.

Plastics Institute executive director Bruce Dunlop is among the critics of departmental officers and their approach to industry studies.

Pointing out they were his personal opinions, he said the procedures followed by the Industries Development Commission provided for a "far more objective and accurate evaluation of an industry" than studies conducted by departments.

Dunlop has recommended that the Manufacturers Federation and its constituent trade groups seek changes in the procedure for all industry studies.

It is understood that others in the manufacturing and business sectors share Dunlop's views.

Manufacturers Federation President Laurie Stevens has criticised what he called the undue haste with which some studies — specially those handled by the departments — have been carried out.

Sources close to the IDC would also favour changes to the present system of industry studies.

The Tariff Review Committee, which reported to the Government in 1978, singled out 11 industry groups for further study.

The IDC was entrusted with preparing a textile industry development plan and similar plans for plastics, packaging and wine industries.

The remaining industries — radio and television, footwear, glasswear, rubber products, motor vehicles, starch and margarine — have been investigated by Government departments in collaboration with the industries concerned.

It is understood the departments have been told to follow the general principles adopted by the commission, but there is no guarantee that all industries will get comparable treatment.

More important, in contrast to the departments, the IDC holds public hearings at which all interested parties are given the chance to present their submissions and cross-examine others.

Feedback from industries involved suggests they place great value on the public hearing process.

Dunlop says several points weigh against the method of departmental studies:

- Security (he examples the uninformed comment and criticism which followed the leak to the media of an interim report detailing the state of the motor industry);
- A lack of commercial experience and in-depth involvement with any particular industry makes departmental teams unqualified to draw conclusions on any industry;
- The waste of time and taxpayers' money where the studies may have to be referred from the departments to the IDC for reconsideration, i.e., effectively studying the industry twice.

He advocates as a procedure:

- That terms of reference for a particular study be agreed on by the IDC, the industry and the appointed departmental team;
- That the departmental team act as a gatherer of "nuts and bolts" type factual information, working in conjunction with the industry. The team would prepare a paper outlining the current state of that industry, how it arrived there and detailing its aspirations;
- The paper would then be referred to the IDC for evaluation through the standard hearing procedure. The IDC would sectorise the industry, if necessary, for public hearing purposes — as it did in the case of the plastics study;
- From there the standard IDC procedure would follow — a report complete with recommendations would be presented to Government.

Those ideas have not been well-received at departmental level. They have been considered an attack on officials' overall competence.

But one industry source suggested that procedure along the lines advocated would not only ensure greater objectivity among industries but also ease the work flow of the commission.

Though not understaffed as some commentators have suggested, the IDC has sporadic bursts of high-pressure activity followed by lulls.

"The commission's time could be better occupied appraising studies prepared by officials," Dunlop said.

Manufacturers Federation President Laurie Stevens — warning against the hasty preparation of industry studies, specially those handled by Government officials — told Rotarians that too much surgery could kill rather than cure the patient.

He said, too, it was nonsense to suggest that only the manufacturing sector needed to be restructured.

"Any approach to restructuring must involve all sectors — none can be singled out in isolation," he said.

"But so far, no other sector has had to front up to a public body like the Industries Development Commission, present its development plan and be cross-examined by the commission and interested parties."

While restructuring must be carried out across the board, it must be carried out "only after careful examination of all the relevant facts and with due regard to short-run costs which must be offset against theoretical long term gains", Stevens cautioned.

Manufacturers were concerned that — largely because of timetable pressures — the quality of research had suffered.

He said the industries study programme, together with the general downturn and possible developments in the trans-Tasman relationship, created a high degree of uncertainty among manufacturers.

A policy of rapid restructuring — or cutting protection — in the present climate would be "suicidal", Stevens said.

He pointed out that the Australian Government had decided to hold in abeyance further restructuring of industry while unemployment remained high.

"We have not as yet created the right climate for restructuring and development," he said.

"We cannot pursue efficiency at all costs. The human factors must be taken into account. We can only move as fast as management and the work force as capable."

Manufacturers and business generally required cautious management, he said, "particularly with respect to the pace of change imposed by Government".

Rather than "a doctrinaire approach in the regulatory field", the community itself had to accept that higher living standards were not possible until more wealth was produced. Both management and unions and their members had a responsibility to ensure all resources — including labour — were used more effectively to increase productivity.

Todd Motors Ltd director of operations and marketing Denford McDonald has warned that restructuring the manufacturing industry in the present climate could cripple the New Zealand economy.

Discussing the motor industry study being undertaken by a Trade and Industry team, he acknowledged that Japan had successfully used industry studies to identify restructuring opportunities and implement the required changes effectively.

But he pointed out that Japan had a tightly controlled economy, a highly geared and extensive internal market protected from the outside world, a fast-growing and expanding economy and had a cultural commitment to consensus and collaboration.

New Zealand, in contrast, had a small economy, a static — "possibly stuck" — economy and a domestic market which lacked strong protection, he said.

Attempts to restructure under those circumstances would only cripple the economy.

McDonald expressed concern about aspects of the industry study itself.

Release of official observations to the news media had resulted in the study being seen as destruction of the car assembly industry rather than some collaborative effort for growth, he said.

"An outcome of this premature release has been to throw into some confusion the more positive objectives of the Government's study programme," he said.

Not only was it unfortunate that the observations of officials investigating the industry had been made public, but "some rather confusing figures" had been released to the media, he said.

"We are concerned that the officials' view does not elaborate the viewpoint expressed to them by the industry and has excluded some fundamental economic considerations which we believe cannot be ignored," Denford said.

He pointed out that because of the "varying stance" of different sectors of the industry, it was difficult to get "accurate figures which could be used as a basis for judgment".

"The parameters which have been applied to our industry studies are probably a correct application of economic principle but unfortunately the world has little regard for strict economics and considerations cannot be isolated from the political and sociological policies of an economy," he said.

McDonald advocated a "challenge ahead" road to get the car assembly industry back on its feet.

What was required, he said, was a plan for, say, five years for the efficient development and expansion of the industry.

The establishment of a team to implement the plan comprising private sector, unions and Government was also required.

Based on recent experiences, manufacturers could hardly be blamed for regarding Government as "the fifth column" rather than a co-ordinating group, he said.

*Tourism*

# Decision soon on AMP's hotel development plans

**by Gordon McLauchlan**

THE AMP Society is expected to make a decision within a week on the development of the Great Northern Hotel site, near the foot of Queen Street, Auckland, one of the most valuable pieces of real estate in the country.

An announcement on the decision is not likely before the middle of September.

The AMP has owned the prime site for seven years. The only return on its investment since the Great Northern Hotel was closed in May of last year has come from the retail shops fringing the building in Queen and Customs Streets.

Three types of development are in the final stages of evaluation. They are high-rise retail/office block complexes, low-rise retail development and high-rise retail/hotel complexes.

It is understood that three of the development projects under consideration involve hotel development.

A few months ago, the insurance company announced it had abandoned a hotel project in which the international Hilton chain was involved. Then came the Budget incentive offer of a tax-free grant of 9.5 per cent of approved construction costs as an alternative to the first-year depreciation allowance.

Opinion within the company is that the grant simply means that a developer will get the depreciation allowance more quickly, and that the escalation of development costs over the past few months has pretty well wiped out any added incentive from the Budget.

Escalation costs have been put at around 1 per cent a month, a significant rate on a $30 million hotel project.

But it is known that AMP is now still considering three hotel projects, and that one involving the Hilton group is among them.

A report from Australia that the international Hyatt chain is looking at New Zealand development prompted speculation that the company is involved in one of the Great Northern site proposals. AMP sources say they know nothing of the Hyatt interest but the chain may be involved with one of the New Zealand development operators.

Although escalating capital costs for a hotel project mean higher projected room rates for a finished hotel, the continuing decline in the comparative value of the New Zealand dollar would make a tariff more acceptable to foreign tourists.

## Concern in Pacific

THE tourism recession in the South Pacific island nations has become so serious that an attempt is being made to convene a conference at ministerial level in Tahiti later this year.

Fiji, with a 12 per cent drop in visitor numbers last year (the lowest of 29 Pacific Area Travel Association member countries), Tahiti, New Caledonia and the Cook Islands have all been hit by point-to-point international air fares and there is no relief in site.

Incentive fares encourage holiday-makers to overfly the South Pacific islands on the way to major destinations, whereas Fiji and Tahiti specially used to earn substantial income from the two or three-day stopover tourist on his way between Australia/New Zealand and Europe or the United States.

It is understood that New Zealand has not yet committed itself to attend the Tahiti conference and may baulk at taking part because the tourism problems here are not similar.

## Aerolineas negotiations

THE mooted Buenos Aires-Auckland service by the Argentinian national carrier, Aerolineas, has stalled on the subject of pick-up rights in Auckland for Hong Kong.

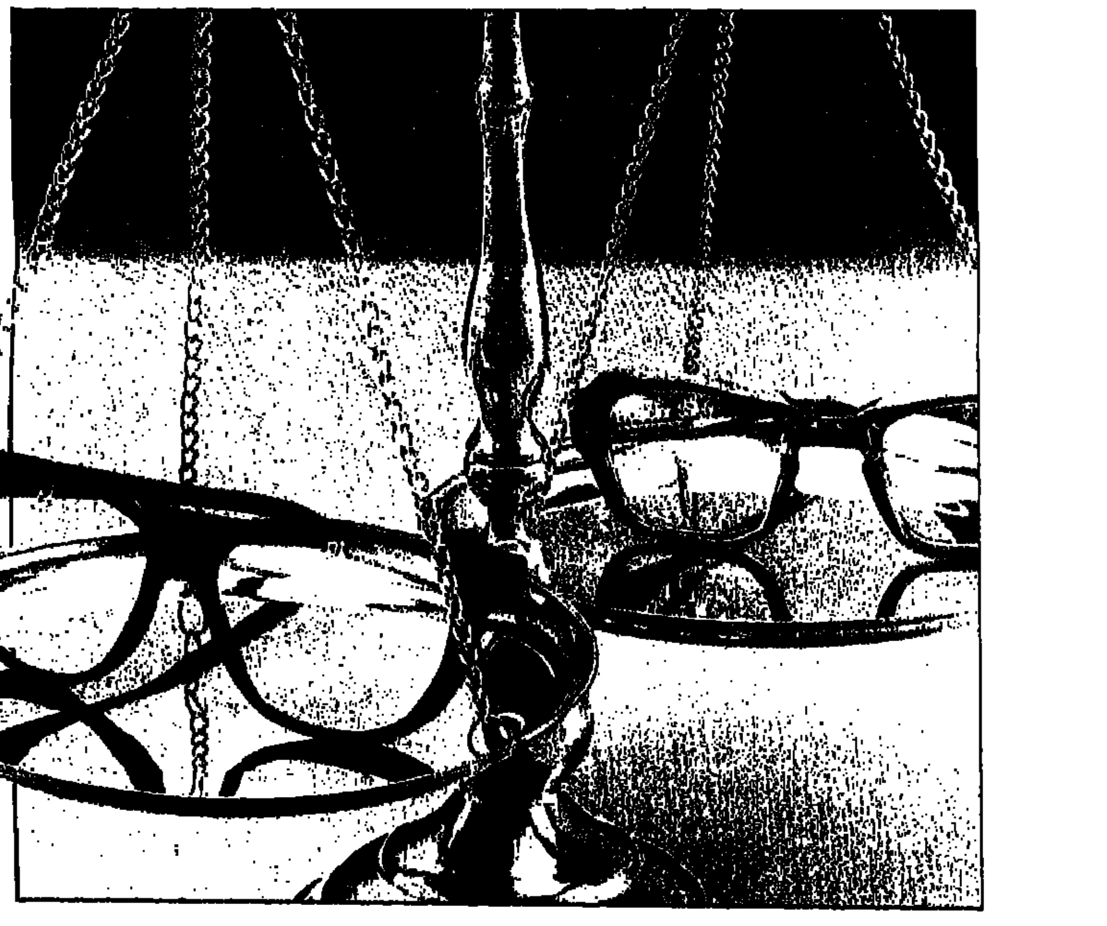
United States and Argentinian publications are carrying articles about a Buenos Aires-Auckland-Hong Kong service as though it is a *fait accompli*.

But New Zealand's controller of air services policy, John Kennedy-Good, says: "We haven't negotiated rights nor have we had any formal request for negotiations... We would be very interested if approached."

When the Aerolineas proving flight came through Auckland a couple of months ago, Air New Zealand senior executives Geoff Matheson and Miles Stanton boarded the flight and flew to Buenos Aires for talks.

But, Kennedy-Good says: "The airlines haven't sorted things out yet and it will be after that's done that the governments will become involved. Nothing has yet taken place which would grant rights to either side."

The big problem is [illegible] New Zealand looks kindly [illegible] ough on a Buenos [illegible] Auckland service but [illegible] wear a through service to [illegible] Kong with pick-up [illegible] Auckland in competition [illegible] its own Auckland-Hong [illegible] service; and Aerolineas [illegible] shown no real enthusiasm [illegible] cording to airline sources [illegible] any service which does [illegible] a fully commercial [illegible] Hong Kong leg.







*Plastics*

# PINZ presents principles on behalf of industry

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

THE public hearing programme that was part of the Industries Development Commission's study of the plastics industry has finished and industry members are satisfied the commission has a wealth of information to evaluate.

The Plastics Institute (PINZ) presented a general principles submission on behalf of the industry to the final hearing.

Its purpose was to bring together the information common to each individual sector of the industry and to make specific requests for them.

PINZ executive director Bruce Dunlop said the information in the final submission had been collected from individual companies, members of the institute and the Manufacturers' Federation.

Dunlop said the term of reference to the inquiry effectively excluded substantial users of plastics materials. The general requirement was to cover goods classified only within the chapter 39 of the customs tariff — artificial resins and plastic materials, cellulose esters and ethers; articles thereof.

In almost every case, Dunlop said, plastics processing companies were involved in producing goods which, in theory, were outside these terms of reference.

The latest available abstract of production statistics indicate that only about 76 per cent of the total plastics industry is subject to the inquiry.

The general principles paper presented by PINZ again outlines the objectives of the plastics industry for the next decade. They included:

- Better packaging and componentry for the growing primary and manufacturing industries and their exports, through increased technology and a wide product range;
- Using natural resources productively, particularly the resource available from Maui gas;
- Expanding its own direct exports to 20 per cent of total production;
- Update of plant and technology to remain efficient;
- Maximise the use of peoplepower, materials and machinery in plastics production;
- Recruit, train, and retain qualified people to ensure the industry's growth.

To achieve these declared objectives PINZ has made a number of recommendations in its general principles paper.

The abolition of the 10 per cent sales tax on production machinery for the plastics industry and the introduction of a stock adjustment allowance are among the major proposals.

PINZ says the current sales tax on machinery is proving a major disincentive to productive investment and is causing the deferment of obsolete plant replacement. PINZ maintains this would eventually wear into the production and cost efficiency of an otherwise efficient industry.

High rates of price inflation of fixed assets have led to taxation levies on apparent rather than real profits, directly reducing the ability of companies to maintain their existing operating capacity let alone expand, PINZ says.

In support of a stock adjustment allowance, calculated at half the current rate of movement in the Consumer's Price Index, PINZ says companies within the plastics industry, particularly those involved in exporting, are experiencing a recurrence of the liquidity conditions which led to an earlier temporary introduction of this measure which was discontinued in 1978.

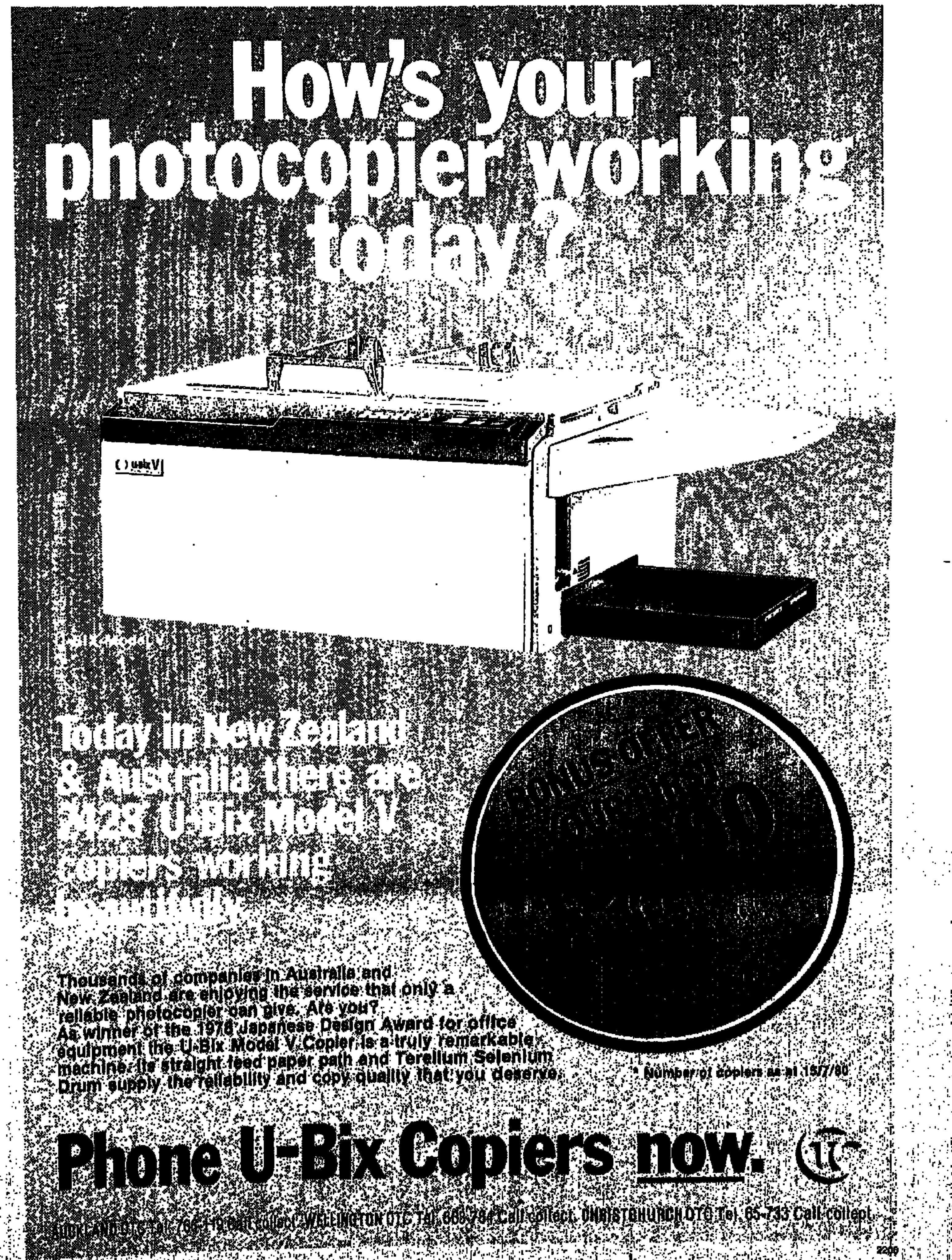
On international competitiveness, PINZ recommends that the Government provide immediate protective measures against suspected cases of dumping or disruptive pricing tactics for imports, without the need for local manufacturers to prove damage. The institute maintains that existing dumping legislation could then be applied. If dumping was not proved, refunds could be given to importers (the current system works in the opposite manner).

It further recommends that developing country duty preferences be withdrawn against Taiwan and Korea in respect of chapter 39 of the tariff, and any other so-called developing country where it can be shown that that country has a highly developed plastics industry and considerable production advantages over this country's industry.

Dunlop said short production runs, longer down-time between jobs, the high cost of internal freight and impinging social costs contributed to the local industry's inability to compete on its home market on a volume basis with imports from high volume and often low labour cost countries.

Transport also comes under consideration. PINZ recommends that the Government undertake a full study of the transport industry, both internally and externally, with a view to identifying and eliminating where possible all influences and factors which inhibit the efforts of manufacturers to compete on domestic and export markets.





Plastics

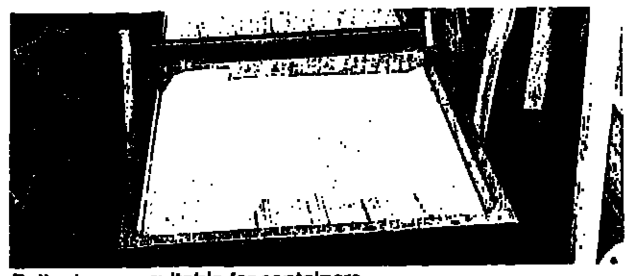
# Polythene package makes a better butter bag

SUCCESSFUL trials of a specially designed plastic butter bag will see the entire export butter shipments to Britain packaged in polythene within the next three years.

According to a Dairy Board spokesman the design of the butter bag, has been so successful in application trials that after progressive introduction all butter exports to Britain, currently about 90,000 tonnes each year, will be packed this way.

The entire export production from the Egmont Co-op Dairy Co Ltd, Pungarehu branch is already packed in the bags.

The bags, designed and manufactured by Trigon Plastics, contain a full 850 kilogram pallet-load of butter and have streamlined packaging and refrigerated freighting and handling procedures for butter shipments.



Butter bag . . . suitable for containers

According to the Dairy Board the bags have eliminated the need for the traditional butter cartons and are suitable for container stowage. The bags protect the butter.

Trigon Wellington's general manager, Paul Halford, who headed the company's research into the project, said the butter bag is a rectangular shape, something quite unique in the construction of polythene bags.

The bag is designed with four separate base seals. They create a rectangular base. The use of a special plastics resin gives the bag the necessary degree of rigidity.

Butter is extruded directly into the polythene bags, palleted and a "stretch-gard" secures the complete pallet for handling and shipment.

Trigon has produced a special black-coloured "stretch gard" film for the butter exports to reduce the undesirable light penetration yellowing cause.

By using the bags, a move to larger volume bulk packaging may seem misguided when there is a current emphasis on value-added exports, but the Dairy Board maintains that in fact as it ships the butter to users in Britain, that simply does not apply.

After the success of the initial work with the butter bag, Trigon is gearing up to produce them on automated equipment.

# Sectors setting export targets advised to follow plastics' lead

ALL manufacturing sectors should follow the lead of the plastics industry and set themselves overall export targets for this decade, according to Export-Import Corporation general manager Stan Stanworth.

He told the Wellington branch of the Plastics Institute that the industry's goal of lifting its exports by 20 per cent on the $35 million it achieved last year seemed realistic.

"Our own experience is that there is a demand in many countries for quality plastic products such as those made by the New Zealand industry," he said.

"We think it's the quality market that will probably offer most potential as with many other New Zealand-made products, and the short manufacturing runs which of necessity operate will enable us to fit into specific markets that the volume and low-labour-cost countries find uneconomic."

Stanworth said the corporation's trade centres in Sydney, Singapore and Los Angeles frequently identified new export opportunities while their executives were on the spot.

More companies would have to establish representation in key trading areas if the goal of a 20 per cent overall increase in exports of manufactured goods was to be achieved by the end of the 1980s, he said.

"New Zealand-owned plastics companies could well look at either jointly or singly taking space in trade centres located in the markets they consider of most importance," he said.

"Rentals and costs spread between a number of trade centre members enables companies to have a visible presence in overseas areas they might otherwise find too expensive."







Plastics

# Mussels multiply blow moulded bottle output

WORLDWIDE demand by arthritics for mussel extract capsules has provided an unexpected spin-off for an Auckland plastics manufacturer.

"Seatone" capsules are sold in plastic bottles manufactured by Rheem-Pak, a division of Rheem New Zealand Limited.

The demand for the mussel extract has required Rheem-Pak to increase its production capacity six-fold and install a new injection blow moulding machine.

The bottles are made for McFarlane Laboratories, which make the Seatone capsules. Exports are said to have reached $5 million last year. The domestic market makes up 12 per cent of total sales.

When Seatone first came on to the market it was sold in conventional blow moulded bottles. These did not comply with the demanding quality packaging standards, according to Rheem-Pak manager, Del Johnston, and McFarlane began looking for a new container.

About 12 months ago Rheem-Pak presented its injection blow moulded bottle to McFarlane. The company immediately changed over because of the advantages inherent in the injection blow moulding process, Johnstone said.

These features include a clear finish, consistent wall dimensions, and a precise neck and thread area.

The popularity of Seatone with arthritic sufferers kept one of Rheem-Pak's injection blow moulding machines running full-time on the capsule bottles.

To keep up with the increasing demand Rheem-Pak had to expand productive capacity. Earlier this year it decided to invest in new machinery and tooling.

A Jomar injection blow moulding machine from the United States is currently being installed in the company's Avondale plant. An expert from the Jomar Corporation is helping commission the machine and training Rheem-Pak staff.

The machine incorporates the very latest in injection blow moulding technology and will increase the company's production capacity, Johnston said.

Unlike the company's other two machines the Jomar accommodates up to 12 cavities, depending on the capacity and configuration of the container.

Rheem-Pak will initially be producing four Seatone bottles at a time on the new machine, leaving blank the remaining cavities. These cavities will be used as McFarlane develops new export markets and demands for the bottles increase.

Del Johnston . . . production capacity increased

Rheem-Pak produces containers and closures for the cosmetic, pharmaceutical and food industry by the conventional injection moulding process.

# Toolmakers push for professional recognition

A GROUP of Auckland toolmakers has set up an independent toolmakers association to upgrade the status of their number and attract skilled personnel to the industry.

More than 18 Auckland-based companies are represented on the Auckland Independent Toolmaking Association, whose aim – according to president Bill Connolly – is to draw toolmakers from around the country into a national association.

Connolly said his Auckland group will push for greater recognition of toolmaking as a profession and lobby technical institutes and the Education Department to institute a plastics-relevant technical training programme for toolmaking apprentices.

Connolly said the Auckland association had set a series of objectives aimed at creating a greater awareness of the role that toolmakers play in the plastics industry and throughout other manufacturing sectors.

He said the association's prime objective was to upgrade the status of toolmakers.

The association has completed an inter-firm comparison, possible because all toolmakers have very similar problems and requirements, with the assistance of the Department of Trade and Industry's productivity centre.

It has also developed a blueprint for future apprenticeship training and education. It is tackling long-term problems – notably shortages of skilled people – by developing a new programme for in-coming personnel in co-operation with the University of Auckland and various technical institutes.

The programme has yet to be accepted by these bodies, Connolly said, but deputations had been well received.

He said talks were continuing with Education Minister Merv Wellington, and the association hoped to have a group of plastics apprentices start a special 18-week toolmakers course and a further specific plastics course early next year.

Connolly said his association has also formed a small direct export group, which with support already offered by the Development Finance Corporation, the Small Business Agency and the Department of Trade and Industry, will develop new and existing opportunities for toolmakers to export their products.

Connolly said he hoped the lead taken by the formation of the Auckland association would prompt others in the toolmaking profession to form similar groups to advance the profession, and eventually form a national association.